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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 31, 2002

ANNUITY AND LIFE RE (HOLDINGS), LTD.

(Exact Name of Registrant as Specified in Charter)

Bermuda ----- (State or Other Jurisdiction of Incorporation)	0-23625 ----- (Commission File Number)	Not Applicable ----- (IRS Employer Identification No.)
--	---	---

Cumberland House, 1 Victoria Street
Hamilton, Bermuda HM 11

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (441) 296-7667

(Former Name or Former Address, if Changed Since Last Report)

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Item 2. Acquisition or Disposition of Assets

On December 31, 2002, our subsidiary, Annuity and Life Reassurance, Ltd. ("ALRE"), entered into a transaction with XL Life Ltd ("XL Life"), a subsidiary of XL Capital Ltd ("XL Capital"), pursuant to which ALRE transferred certain blocks of life reinsurance business to XL Life. The transaction enabled ALRE to reduce a substantial portion of its year-end collateral requirements under its reinsurance contracts. Under the agreement with XL Life, ALRE novated five blocks of life reinsurance business to XL Life, which in turn entered into a 50% quota share reinsurance contract with ALRE with respect to four of those blocks of business. ALRE has agreed to provide certain administrative services to XL Life in respect of the five transferred blocks of life reinsurance.

In consideration for the novation of the five blocks of business to XL Life, ALRE received from XL Life a payment of approximately \$44 million. In consideration for the 50% quota share reinsurance contract, ALRE transferred to XL Life a ceding commission of approximately \$26 million. In connection with the transfer of these blocks of business, ALRE also transferred to XL Life approximately \$66 million of assets and related reserve liabilities which were supporting the five blocks of reinsurance. Because the 50% quota share reinsurance contract is structured as a modified coinsurance arrangement, XL Life did not transfer any portion of the assets back to ALRE. Instead, approximately \$25 million will be reflected on our Balance Sheet as Funds withheld at interest. The \$66 million of assets and related reserve liabilities transferred to XL Life and the \$25 million of Funds withheld at interest were calculated based upon an estimate of the amount of reserves necessary to support the five blocks of reinsurance, and are subject to a post-closing adjustment based upon the actual amount of such reserves as of December 31, 2002. The agreement with XL Life also provides that XL Life will receive an additional payment of \$5 million if, during the next 18 months, we receive new capital funding of at least \$35 million and our stock trades at a price at or above \$5.00 per share for a period of 20 out of any 30 consecutive trading days. In addition to expenses of approximately \$3 million associated with completing this transaction, we expect to record a net non-cash charge in the fourth quarter of 2002 of approximately \$23 million in connection with the write down of deferred acquisition costs associated with the contracts transferred to XL Life and prepaid expenses associated with ALRE's collateral funding facility with Viva Reassurance Ltd. ("Viva"). We also incurred unusual advisory and consulting expenses in the fourth quarter of 2002 relating to our capital raising efforts. Following the consummation of the XL transaction, we expect to have approximately \$120 billion of in-force life reinsurance as of December 31, 2002.

In connection with the transaction with XL Life, ALRE terminated its collateral funding facility with Viva, which had provided ALRE with cash to satisfy its collateral obligations under certain reinsurance contracts. ALRE repaid to Viva the entire balance owed by ALRE under that agreement, which equaled approximately \$147 million, and Viva returned to ALRE a deposit of approximately \$42 million. Viva applied the amounts received from ALRE to repay its obligations under its credit facility administered by Bank of America, N.A., and the facility was terminated. An affiliate of XL Capital had previously guaranteed certain obligations of Viva in respect of its borrowing under that facility.

As a result of this transaction, ALRE was able to reduce its year-end collateral requirements by approximately \$174 million. In its ongoing efforts to fully satisfy its year-end collateral requirements, ALRE is endeavoring to negotiate the recapture, retrocession or sale of certain additional blocks of life reinsurance. ALRE and XL Life have had discussions regarding XL Life's participation in such transactions. In addition, ALRE continues to negotiate with one of its ceding companies regarding the satisfaction of its year-end collateral requirements, which such ceding company has indicated are approximately \$50 million.

XL Capital owns or has the right to acquire 3,340,380, or approximately 13%, of our Common Shares. In addition, pursuant to a written agreement between us and XL Capital, XL Capital has the right to nominate one person for election to our Board of Directors for so long as XL Capital continues to own at least 500,000 Common Shares. Brian M. O'Hara is the President and Chief Executive Officer of XL Capital and is the formal nominee of XL Capital on our Board of Directors. Michael P. Esposito, Jr., another of our directors, currently serves as the Chairman of the Board of XL Capital. Robert M. Lichten, another of our directors, currently serves as a director of a United States-based subsidiary of XL Capital. In addition to the agreements described above, ALRE and affiliates of XL Capital are also parties to four reinsurance agreements that were entered into in the ordinary course of ALRE's business on normal commercial terms.

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The transaction with XL Life and Viva, including all of the terms thereof and the consideration to be paid by each party in connection therewith, was negotiated at arms-length. A special committee of disinterested directors was formed to review the transaction in its entirety. This committee approved the transaction.

On January 2, 2003, we issued a press release relating to the foregoing. A copy of the press release and the principal agreements relating to the transaction are attached hereto and incorporated herein by reference. The description of those agreements contained herein and in the press release does not purport to be complete and is qualified in its entirety by reference to the provisions of those agreements.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

- (a) Not applicable.
- (b) Pro Forma Financial Information

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited pro forma condensed consolidated balance sheet as of September 30, 2002 gives effect to the transaction with XL Life and Viva as if it had occurred on September 30, 2002, and assuming there is no post-closing adjustment as described above.

The accompanying unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2002 and the year ended December 31, 2001 assume that the block of business transferred to XL Life that is not covered by the 50% quote share reinsurance policy was never written by ALRE and that the other four blocks of business that are covered by the 50% quote share reinsurance policy were originally written by ALRE on that basis. In addition, the pro forma statements of operations assume ALRE never entered into the collateral funding facility with Viva. Consequently, non-recurring charges and expenses of approximately \$26 million associated with the transaction are not included in the pro forma statements of operations, which charges and expenses are comprised of approximately \$3 million in expenses associated with completing the transaction and approximately \$23 million in net non-cash charges associated with the write down of deferred acquisition costs associated with the contracts transferred to XL Life and prepaid expenses associated with ALRE's collateral funding facility. The historical information presented in the statements of operations has not been audited by KPMG, our independent auditors. The Company is in the process of restating its financial statements for the year ended December 31, 2001, and the historical financial information presented for such period and the pro forma financial information derived therefrom may change as a result of the completion of that process. In such event, the Company will amend this Current Report on Form 8-K. See Note 2 to the Unaudited Consolidated Financial Statements included in our Quarterly Report on Form 10-Q for the period ended September 30, 2002 for a discussion of the pending restatement of our financial statements.

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Annuity and Life Re (Holdings), Ltd.
 Pro Forma Condensed Consolidated Balance Sheet (Unaudited)
 September 30, 2002
 (in U.S. Dollars)

<TABLE>
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<S> ASSETS	<C> Historical -----	<C> Pro Forma Adjustments -----	<C> Pro Forma -----
Cash and cash equivalents.....	\$ 120,052,568	\$	\$ 120,052,568
Fixed maturity investments at fair value.....	355,160,595	(156,378,372) (A)	198,782,223
Funds withheld at interest.....	1,415,120,437	25,300,000 (B)	1,440,420,437
Accrued investment income.....	4,063,797		4,063,797
Receivable for investments sold.....	10,814,271		10,814,271
Receivable for reinsurance ceded.....	94,310,286		94,310,286
Deposits and other reinsurance receivables.....	81,851,829	(42,400,000) (C)	39,451,829
Deferred policy acquisition costs.....	228,089,222	(38,700,000) (D)	189,389,222
Other assets.....	11,195,455	(2,379,167) (E)	8,816,288
	-----	-----	-----
Total Assets.....	\$ 2,320,658,460	\$ (214,557,539)	\$ 2,106,100,921
	-----	-----	-----
LIABILITIES			
Reserves for future policy benefits.....	\$ 280,915,909	\$ (41,100,000) (F)	\$ 239,815,909
Interest sensitive contracts liability.....	1,464,667,709		1,464,667,709
Other deposit liabilities.....	147,000,000	(147,000,000) (G)	--
Other reinsurance liabilities.....	22,901,107		22,901,107
Payable for investments purchased.....	10,194,428		10,194,428
Accounts payable and accrued expenses.....	15,737,008		15,737,008
	-----	-----	-----
Total Liabilities.....	\$ 1,941,416,161	\$ (188,100,000)	\$ 1,753,316,161
	-----	-----	-----
STOCKHOLDERS' EQUITY			
Preferred shares (par value \$1.00; 50,000,000 shares authorized; no shares outstanding).....	\$ --	\$	\$ --
Common shares (par value \$1.00; 100,000,000 shares authorized, 26,106,328 shares outstanding at September 30, 2002).....	26,106,328		26,106,328
Additional paid-in capital.....	335,334,932		335,334,932
Notes receivable from stock sales.....	(1,603,076)		(1,603,076)
Restricted stock (367,625 shares at September 30, 2002).....	(2,747,526)		(2,747,526)
Accumulated other comprehensive income.....	16,091,693		16,091,693
Retained earnings.....	6,059,948	(26,457,539) (H)	(20,397,591)
	-----	-----	-----
Total Stockholders' Equity.....	\$ 379,242,299	\$ (26,457,539)	\$ 352,784,760
	-----	-----	-----
Total Liabilities and Stockholders' Equity.....	\$ 2,320,658,460	\$ (214,557,539)	\$ 2,106,100,921
	-----	-----	-----

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See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

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Annuity and Life Re (Holdings), Ltd.
 Pro Forma Condensed Consolidated Statement of Operations (Unaudited)
 Nine Months Ended September 30, 2002
 (in U.S. Dollars)

<TABLE>
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<S> REVENUES	<C>	Historical -----	<C>	Pro Forma Adjustments -----	<C>	Pro Forma -----
Net premiums.....	\$	255,007,035	\$	(44,761,467) (I)	\$	210,245,568
Investment income, net of related expenses.....		82,083,855		(5,642,601) (J)		76,441,254
Net realized investment gains.....		10,813,315		(3,532,075) (K)		7,281,240
Net change in fair value of embedded derivatives.....		(18,254,530)				(18,254,530)
Surrender fees and other revenues.....		13,606,694				13,606,694
		-----		-----		-----
Total Revenues.....		343,256,369		(53,936,143)		289,320,226
		-----		-----		-----
BENEFITS AND EXPENSES						
Claim and policy benefits.....	\$	224,640,576	\$	(32,125,184) (L)	\$	192,515,392
Interest credited to interest sensitive products.....		57,215,862				57,215,862
Policy acquisition costs and other insurance expenses.....		73,700,329		(8,404,840) (M)		65,295,489
Collateral costs.....		6,080,321		(6,080,321) (N)		--
Operating expenses.....		10,626,666				10,626,666
		-----		-----		-----
Total Benefits and Expenses.....		372,263,754		(46,610,345)		325,653,409
		-----		-----		-----
Net (Loss).....	\$	(29,007,385)	\$	(7,325,798)	\$	(36,333,183)
		=====		=====		=====
NET (LOSS) PER COMMON SHARE						
Basic.....	\$	(1.13)	\$	(0.28)	\$	(1.41)
Diluted.....	\$	(1.13)	\$	(0.28)	\$	(1.41)

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See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

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Annuity and Life Re (Holdings), Ltd.
 Pro Forma Condensed Consolidated Statement of Operations (Unaudited)
 Year Ended December 31, 2001
 (in U.S. Dollars)

<TABLE>
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<S> REVENUES	Historical (as restated) ----- <C>	Pro Forma Adjustments ----- <C>	Pro Forma ----- <C>
Net premiums.....	\$ 251,793,237	\$ (34,864,748) (I)	\$ 216,928,489
Investment income, net of related expenses.....	91,128,696	(570,833) (J)	90,557,863
Net realized investment gains.....	1,230,038		1,230,038
Net change in fair value of embedded derivatives.....	5,029,027		5,029,027
Surrender fees and other revenues.....	18,519,701		18,519,701
	-----	-----	-----
Total Revenues.....	\$ 367,700,699	\$ (35,435,581)	\$ 332,265,118
	-----	-----	-----
BENEFITS AND EXPENSES			
Claim and policy benefits.....	\$ 216,025,010	\$ (28,336,944) (L)	\$ 187,688,066
Interest credited to interest sensitive products.....	49,258,418		49,258,418
Policy acquisition costs and other insurance expenses.....	127,780,549	(6,192,931) (O)	121,587,618
Operating expenses.....	11,552,418		11,552,418
	-----	-----	-----
Total Benefits and Expenses.....	\$ 404,616,395	\$ (34,529,875)	\$ 370,086,520
	-----	-----	-----
Net (loss) before cumulative effect of a change in accounting principle.....	\$ (36,915,696)	\$ (905,706)	\$ (37,821,402)
Cumulative effect of a change in accounting principle.....	(3,665,735)		(3,665,735)
	-----	-----	-----
Net (Loss).....	\$ (40,581,431)	\$ (905,706)	\$ (41,487,137)
	=====	=====	=====
NET (LOSS) PER COMMON SHARE BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE			
Basic.....	\$ (1.45)	\$ (0.04)	\$ (1.48)
Diluted.....	\$ (1.45)	\$ (0.04)	\$ (1.48)
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE PER COMMON SHARE			
Basic.....	\$ (0.14)	\$	\$ (0.14)
Diluted.....	\$ (0.14)	\$	\$ (0.14)
NET (LOSS) PER COMMON SHARE			
Basic.....	\$ (1.59)	\$ (0.04)	\$ (1.62)
Diluted.....	\$ (1.59)	\$ (0.04)	\$ (1.62)

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See Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

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Annuitant and Life Re (Holdings), Ltd.
Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

- (A) To reflect the liquidation of securities used to pay off ALRE's deposit liability under its collateral funding facility, the cash payment to XL Life for the reserve liabilities associated with the five blocks of life reinsurance novated to XL Life, the ceding commission paid by ALRE to XL Life for the 50% quota share reinsurance policy and the closing costs associated with the transaction, net of the return of ALRE's deposit held by Viva and the consideration paid to ALRE by XL Life for the novated blocks of life reinsurance.
- (B) To record the invested assets on deposit with XL Life under the 50% quota share reinsurance policy.
- (C) To record the return of ALRE's deposit held by Viva.
- (D) To record the gross write down of deferred acquisition costs associated with the five blocks of life reinsurance novated to XL Life, net of the 50% quota share assumed from XL Life on four of those blocks. After giving effect to the net cash amount of \$18 million transferred to ALRE by XL Life in connection with the transaction, the net impact of this write down is to reduce net income by \$20.7 million.
- (E) To record the write off of prepaid expenses associated with ALRE's collateral funding facility.
- (F) To remove life reinsurance reserves associated with the five blocks of life reinsurance novated to XL Life, net of the 50% quota share assumed from XL Life on four of those blocks.
- (G) To record the pay off of ALRE's deposit liability under its collateral funding facility.
- (H) To reflect the impact on net income of the transaction with XL Life and Viva.
- (I) To remove premiums associated with the five blocks of life reinsurance novated to XL Life, net of the 50% quota share assumed from XL Life on four of those blocks.
- (J) To remove net investment income on the invested assets purchased with the cash deposits received from ALRE's collateral funding facility.
- (K) To remove net realized capital gains on the disposition of invested assets purchased with the cash deposits received from ALRE's collateral funding facility.
- (L) To remove benefits associated with the five blocks of life reinsurance novated to XL Life, net of the 50% quota share assumed from XL Life on four of those blocks.
- (M) To remove policy acquisition and other insurance expenses associated with the five blocks of life reinsurance novated to XL Life, net of the 50% quota share assumed from XL Life on four of those blocks.
- (N) To remove the cost of ALRE's collateral funding facility.
- (O) To remove policy acquisition and other insurance expenses associated with the five blocks of life reinsurance novated to XL Life, net of the 50% quota share assumed from XL Life on four of those blocks, and the cost of ALRE's collateral funding facility.

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Item 7. Financial Statements, Pro Forma Financial Information and Exhibits
(cont.)

(c) Exhibits

- 2.1 Master Agreement dated as of December 31, 2002 by and among Annuity and Life Reassurance, Ltd., Viva Reassurance, Ltd. and XL Life Ltd*
- 2.2 Novation Agreement dated as of December 31, 2002 by and among Annuity and Life Reassurance, Ltd., XL Life Ltd and Continental Assurance Company*
- 2.3 Novation Agreement dated as of December 31, 2002 by and among Annuity and Life Reassurance, Ltd., XL Life Ltd and Valley Forge Life Insurance Company*
- 2.4 Novation Agreement dated as of December 31, 2002 by and among Annuity and Life Reassurance, Ltd., XL Life Ltd and Zurich Life Insurance Company of America*
- 2.5 Novation Agreement dated as of December 31, 2002 by and among Annuity and Life Reassurance, Ltd., XL Life Ltd and Fidelity Life Association*
- 2.6 Novation Agreement dated as of December 31, 2002 by and among Annuity and Life Reassurance, Ltd., XL Life Ltd and Federal Kemper Life Assurance Company*
- 2.7 Novation Agreement dated as of December 31, 2002 by and among Annuity and Life Reassurance, Ltd., XL Life Ltd and Protective Life Insurance Company*
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- 2.10 Novation Agreement dated as of December 31, 2002 by and among Annuity and Life Reassurance, Ltd., XL Life Ltd and Empire General Life Assurance Corporation*
- 2.11 Novation Agreement dated as of December 31, 2002 by and among Annuity and Life Reassurance, Ltd., XL Life Ltd and PHL Variable Insurance Company*
- 2.12 Retrocessional Reinsurance Agreement dated as of December 31, 2002 by and between Annuity and Life Reassurance, Ltd. and XL Life Ltd
- 2.13 Reinsurance Termination Agreement dated as of December 31, 2002 by and between Annuity and Life Reassurance, Ltd. and Viva Reassurance, Ltd.
- 99.1 Press Release dated January 2, 2003

* Schedules and exhibits to this agreement have been omitted. We agree to furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ANNUITY AND LIFE RE (HOLDINGS), LTD.

January 15, 2003

By: /s/ John F. Burke

John F. Burke
Chief Financial Officer

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EXHIBIT INDEX

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<TEXT>

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Exhibit 2.1

MASTER AGREEMENT

Among

ANNUITY AND LIFE REASSURANCE, LTD.,

VIVA REASSURANCE, LTD.

And

XL LIFE LTD

Dated as of December 31, 2002

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Exhibits

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Exhibit B	General Terms of Administration Agreement
Exhibit C	Form of Novation Agreement
Exhibit D	Form of Existing Security Releases
Exhibit E	Form of Retrocession Agreement
Exhibit F	Form of Payoff, Termination and Release Agreement

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MASTER AGREEMENT

MASTER AGREEMENT dated as of December 31, 2002 (the "Agreement"), by and among Annuity and Life Reassurance, Ltd., a Bermuda exempted limited company ("ALRe"), Viva Reassurance, Ltd. ("Viva") and XL Life Ltd ("XL Life").

WITNESSETH:

WHEREAS, ALRe and the Cedents (as hereinafter defined) are parties to the Novated Contracts (as hereinafter defined);

WHEREAS, as of the Closing Date (as hereinafter defined), the parties to the Novation Agreements (as hereinafter defined) desire to novate the aforementioned Novated Contracts by substituting ALRe with XL Life, such that XL Life will assume all of ALRe's interests, rights, duties, obligations and liabilities under the Novated Contracts (as hereinafter defined) as modified by the terms of the Novation Agreements; and

WHEREAS, Viva desires to repay all amounts outstanding under the Viva Facility (as hereinafter defined) and in connection therewith, the Viva Facility, the Reinsurance Agreement (as hereinafter defined) and the Guaranty (as hereinafter defined) shall be released; and

WHEREAS, XL Life and ALRe desire to enter into a Retrocession Agreement (as hereinafter defined) whereby XL Life will retrocede on a quota share basis the Novated Viva Contracts (as hereinafter defined) to ALRe on the terms described therein; and

WHEREAS, XL Life and ALRe desire to enter into an Administrative Services Agreement pursuant to which ALRe shall perform certain administrative and related functions for XL Life in connection with the Novated Contracts on the terms described therein; and

WHEREAS, the parties desire to set forth herein certain terms and conditions pursuant to which the Transactions (as hereinafter defined) shall be consummated.

NOW, THEREFORE, in consideration of the premises and the mutual covenants, agreements, representations and warranties herein contained, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto intending to be legally bound hereby agree as follows:

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ARTICLE I
DEFINITIONS

1.1. Definitions.

"AAA" Shall have the meaning ascribed to such term in Section 13.12 hereof.

"Actual December 31 GAAP Reserves" means the actual amount required by GAAP to be held in reserve as of December 31, 2002 for expected losses under the Novated Contracts. For purposes of this Agreement, the Actual December 31 GAAP Reserves shall be determined in good faith by XL, which determination may be based upon a review of the calculations by XL's external auditors.

"Administration Agreement" means the Administration Agreement between ALRe and XL Life, to be executed after the Closing, pursuant to which ALRe shall perform certain administrative and related functions for XL Life in connection with the Novated Contracts, which agreement shall contain the general substantive terms set forth on Exhibit B attached hereto.

"Affiliate" as to any Person means any other Person Controlled by, Controlling or under common Control with such Person.

"Agent" means Bank of America, N.A., as Agent under the Credit Agreement.

"ALRe" shall have the meaning ascribed to such term in the preamble hereto.

"ALRe Trust Agreements" means the trust agreements previously entered into by the Cedents and ALRe pursuant to the Novated Contracts.

"ALRe-Viva Reserve Trusts" means the reserve trusts established by ALRe pursuant to the ALRe Trust Agreements containing the Existing Collateral.

"Asserted Liability" has the meaning ascribed to such term in Section 12.3 hereof.

"Board of Directors" means the board of directors of the referenced entity or any appropriately authorized committee thereof.

"Cedents" means, collectively, CNA and the Viva Cedents.

"Ceding Commission" means the \$26,120,000 paid by ALRe to XL Life as consideration under the Retrocession Agreement.

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"Claims Notice" has the meaning ascribed to such term in Section 12.3 hereof.

"Closing" has the meaning ascribed to such term in Section 3.1 hereof.

"Closing Date" has the meaning ascribed to such term in Section 3.1 hereof.

"CNA" means, collectively, the Continental Assurance Company and Valley Forge Life Insurance Company.

"CNA Contracts" means: (i) the Reinsurance Agreement No. CALR019 effective March 1, 2001 between Continental Insurance Assurance Company and ALRe, as amended by Amendment No. 1 effective December 31, 2002 and (ii) the Reinsurance Agreement No. CALR018 effective February 1, 2001 between Valley Forge Life Insurance Company and ALRe as amended by Amendment No. 1 effective November 1, 2001, Amendment No. 2 effective January 1, 2002, Amendment No. 4 effective November 2, 2002, Amendment No. 5 effective December 31, 2002, Amendment No. 6 effective December 31, 2002, Amendment No. 7 effective December 31, 2002, Amendment No. 8 effective April 1, 2002 and Amendment No. 9 effective November 2, 2002.

"CNA GAAP Reserve Amounts" means \$15,800,000, the amount required by GAAP to be held in reserve for expected losses under the CNA Contracts, as such amount is estimated to be as of December 31, 2002.

"CNA Letters of Credit" means the letters of credit provided to CNA by ALRe in respect of the CNA Contracts.

"Collateral Account" means Viva's Account with Butterfield Asset Management Limited containing the Collateral Deposit.

"Collateral Deposit" shall mean the approximately \$42.0 million on deposit in the Collateral Account.

"Control, Controlling, Controlled" as to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or partnership interests, by contract or otherwise.

"Custody and Control Agreement" means the Custody and Control Agreement dated December 13, 2002 among Viva, ALRe, the Custody Bank and the Agent in respect of the Custody Accounts (as defined therein).

"Custody Bank" means Mellon Bank, N.A., as Custody Bank under the Custody and Control Agreement.

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"Excess Reserve Amounts Custody Account" means Account No. #ARVF2002002 with the Custody Bank.

"Existing Collateral" means all of the funds deposited by ALRe in the ALRe Reserve Trusts.

"Existing Security" means collectively:

(i) an assignment, dated August 13, 2001, given by Viva in favor of the Agent over its interest in the Collateral Account;

(ii) an assignment, dated August 13, 2001, given by Viva in favor of the Agent over its interest in the Reinsurance Agreement;

(iii) an assignment of rights, dated May 21, 2002, given by ALRe in favor of Viva, assigning the rights of ALRe to receive proceeds from ALRe Reserve Trusts;

(iv) an assignment of rights, dated May 21, 2002, given by Viva in favor of the Agent, assigning the rights of Viva under the assignment of rights referred to in number (iii) above;

(v) a Custody and Control Agreement, dated December 13, 2002, by and among Viva, ALRe, the Custody Bank and the Agent;

(vi) an assignment dated, December 13, 2002, given by Viva in favor of the Agent over its interest in the Custody Account;

(vii) an assignment, dated December 13, 2002, given by ALRe in favor of Viva over its interest in the Custody Account;

(viii) an assignment, dated December 13, 2002, given by Viva in favor of the Agent assigning the rights of Viva under the assignment in number (vii) above;

(ix) the Guarantees.

"Existing Security Releases" means the releases of all of the Existing Security, substantially in the form of Exhibit D attached hereto.

"GAAP" means U.S. generally accepted accounting principles as in effect on the date hereof.

"Governmental Entity" means any court, administrative agency or commission or other governmental authority or instrumentality, whether city, state, federal or foreign.

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"Guarantees" means the Guaranty and the Guaranty Agreement.

"Guaranty" means Financial Guaranty Insurance Policy Number 20001-FS, issued by XLFA in favor of the Agent;

"Guaranty Agreement" means the Guaranty Agreement, dated August 13, 2001, between XLI and the Agent in respect of the Guaranty.

"Indemnifying Party" has the meaning ascribed to such term in Section 12.3 hereof.

"Indemnitee" has the meaning ascribed to such term in Section 12.3 hereof.

"Lenders" has the meaning ascribed to such term in the Viva Facility.

"Letters of Credit" means the Letters of Credit posted by XLI, on behalf of XL Life, as collateral for the benefit of CNA and the Viva Cedents under the Novated Contracts.

"Lien" means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind (including, without limitation, any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest).

"Losses" has the meaning ascribed to such term in Section 12.1 hereof.

"Novated Contracts" means the Novated Viva Contracts and the CNA Contracts.

"Novated Viva Contracts" means each of the reinsurance contracts listed on Schedule A attached hereto as modified by the terms of the Novation Agreements.

"Novation Agreements" means each of the novation agreements substantially in the form of Exhibit C attached hereto between XL Life and the respective cedents named therein pursuant to which the Novated Contracts are novated by ALRe to XL Life.

"Novation Consideration" means \$44,120,000 paid by XL Life to ALRe as consideration for the Novations.

"Novations" means the novation of the Novated Contracts pursuant to the Novation Agreements.

"Outstanding Viva Obligations" means the sum of \$147,178,371.76, being the aggregate amount outstanding owed from Viva to the Lenders under the Viva Facility.

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"Payoff, Termination and Release Agreement" means an agreement among the Agent, as Agent for the Lenders, Viva, XL Life and XLFA pursuant to which (i) the Agent shall acknowledge receipt of payment in full of the Outstanding Viva Amounts; (ii) the Viva Facility shall be terminated; (iii) the Guarantees shall be released; and (iv) the Existing Security shall be released, substantially in the form of Exhibit F attached hereto.

"Person" or "person" means an individual or a corporation, partnership, trust, unincorporated association or other entity.

"Reinsurance Agreement" means the Reinsurance Agreement between ALRe and Viva dated August 13, 2001, (as amended, supplemented, restated or otherwise modified to the date hereof).

"Reinsurance Termination Agreement" means the Reinsurance Termination Agreement between Viva and ALRe dated December 31, 2002 providing for the termination of the Reinsurance Agreement pursuant to Section 3.03 thereof.

"Retrocession Agreement" means the Retrocessional Reinsurance Agreement between XL Life and ALRe dated December 31, 2002 in respect of the Novated Viva Contracts substantially in the form of Exhibit E attached hereto.

"Subsidiary" means, with respect to any person, (i) a corporation a majority of whose capital stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such person, by such person and one or more Subsidiaries of such person or by one or more Subsidiaries of such person or (ii) any other person (other than a corporation) in which such person, one or more Subsidiaries of such person, or such person and one or more Subsidiaries of such person, directly or indirectly, at the date of determination thereof has at least a majority ownership interest.

"Success Fee" shall have the meaning ascribed to such term in Section 6.3 hereof.

"Termination Date" shall have the meaning ascribed to such term in Section 11.1 hereof.

"Transaction Documents" means this Agreement, the Viva Facility, the Existing Security Releases, the Novation Agreements, the Retrocession Agreement, the Payoff, Termination and Release Agreement, the Reinsurance Termination Agreement, the Viva Cedent Instruction Letter, the Administration Agreement and any other agreement agreed between the parties to this Agreement to be designated as such.

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"Transactions" shall have the meaning ascribed to such term in Section 2.1 hereto.

"Transferred GAAP Reserves" means, the sum of the cash amounts transferred to XL Life pursuant to Sections 2.1 (g) and (i) hereof.

"Trustee" means Mellon Bank, N.A. as trustee under the ALRe Trust Agreements.

"Viva" shall have the meaning ascribed to such term in the preamble hereto.

"Viva Cedents" means each of the ceding companies under the Novated Viva Contracts.

"Viva Cedents Instruction Letters" means each of the instruction letters issued by the Viva Cedents to the Trustee to release all funds and other property held in the ALRe-Viva Reserve Trusts and to transfer such funds and property to the Excess Reserve Amounts Custody Account which instruction letter shall include the consents to such release and transfer of the Agent and XLFA and which shall be substantially in the form of Exhibit A attached hereto.

"Viva Facility" means the credit agreement between Viva, the Lenders and the Agent, dated August 13, 2001 (as amended, supplemented, restated or otherwise modified to the date hereof).

"Viva GAAP Reserve Amounts" means \$50,600,000, the amount required by GAAP to be held in reserve for expected losses under the Novated Viva Contracts, as such amount is estimated to be as of December 31, 2002.

"XL" means XL Capital Ltd, a Cayman Islands exempted limited company.

"XLFA" means XL Financial Assurance Ltd, a Bermuda exempted limited company.

"XLFA Guaranty Release Fee" means the \$1.0 million fee to be paid by ALRe to XLFA in respect of the uncollected 99 basis point increase in premium payable under the Guaranty.

"XLI" means XL Insurance (Bermuda) Ltd, a Bermuda exempted limited company.

"XL Life" shall have the meaning ascribed to such term in the preamble hereto.

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ARTICLE II
TRANSACTIONS

2.1. Transactions.

Each of the transactions described below (collectively, and together with the execution of this Agreement, the "Transactions") shall be deemed to have occurred simultaneously on the Closing Date and the occurrence of each of the Transactions is hereby expressly conditioned on the occurrence of each of the other Transactions described herein. Simultaneously on the Closing Date:

- (a) The Novations shall take place pursuant to the Novation Agreements;
- (b) The Novation Consideration shall be paid by XL Life to ALRe;
- (c) The Viva Cedents Instruction Letters shall be delivered by the Viva Cedents to the Trustee;
- (d) The Trustee shall transfer all funds and other property held in the ALRe-Viva Reserve Trusts to the Excess Reserve Amounts Custody Account;
- (e) CNA shall return the CNA Letters of Credit to ALRe;
- (f) XLI shall provide the Letters of Credit to CNA and the Viva Cedents;
- (g) The Custody Bank shall transfer all funds held in the Excess Reserve Amounts Custody Account to the Agent for payment to the Lenders to the extent required and all amounts in excess of the Outstanding Viva Obligations shall be transferred to XL Life in accordance with an executed certificate substantially in the form of Exhibit E-2 to the Custody and Control Agreement;
- (h) The Collateral Deposit shall be released from the Collateral Account.
- (i) ALRe shall transfer to XL Life (i) cash in the amount of the excess of the Viva GAAP Reserve Amounts over the amount transferred to XL Life pursuant to clause (g) above and (ii) assets equal to the CNA GAAP Reserve Amount (such assets to be valued at the book value thereof and having an overall yield on the book value consistent with the yield projected in the IBM appraisal analysis previously provided to XL);
- (j) ALRe shall transfer approximately \$1.4 million to Viva for the reimbursement of expenses.

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(k) The Viva Facility shall be terminated and the Payoff, Termination and Release Agreement shall be delivered by the Agent to Viva, XLI, XL Life and XLFA;

(l) The XLFA Guaranty Release Fee shall be paid by ALRe to XLFA;

(m) The Existing Security Releases shall be delivered by the Agent to ALRe and Viva;

(n) The Reinsurance Termination Agreement shall be executed;

(o) The Retrocession Agreement shall be executed by ALRe and XL Life;

(p) The Ceding Commission shall be paid by ALRe to XL Life; and

(q) XL shall establish a separate notional account, utilized solely for purposes of calculating the GAAP Reserve Amounts in respect of the Novated Viva Contracts pursuant to the Retrocession Agreement.

2.2. Agreements Control.

Notwithstanding anything contained in this Agreement to the contrary, the terms and provisions contained in the Transaction Documents referenced or described herein shall exclusively control as to the subject matter covered thereby and shall not in any way be affected by any description of such document or agreement contained herein.

ARTICLE III

CLOSING

3.1. Closing.

The closing of the Transactions referred to in Article II (collectively, the "Closing") shall take place at the offices of XL Capital Ltd, located in Bermuda on the date on which all the conditions precedent set forth in Articles Eight, Nine and Ten hereof shall have been satisfied or waived, or at such other time as the parties hereto shall agree (the "Closing Date"). At the Closing, each of the parties shall deliver (manually or by facsimile) executed copies of each of the Transaction Documents to which it is a party and each of the Transaction Documents shall be in full force and effect.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF ALRE

ALRe represents and warrants to XL Life:

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4.1. Corporate Organization, etc.

ALRe is a limited exempted company, duly organized, validly existing and in good standing under the laws of Bermuda.

4.2. Authorization; Execution and Delivery, etc.

Subject to the receipt of the approval of ALRe's Boards of Directors, ALRe has full power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party, and has full power and authority to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the other Transaction Documents to which ALRe is a party and the performance of ALRe's obligations hereunder and thereunder and in respect of the Transactions have been duly authorized by the Board of Directors of ALRe. This Agreement constitutes, and the other Transaction Documents to which ALRe is a party when executed and delivered will each constitute, the valid and binding agreement of ALRe, each enforceable in accordance with its terms, except (i) as the enforcement of this Agreement and the Transaction Documents to which ALRe is a party may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) as the obligations of ALRe under this Agreement and the Transaction Documents to which it is a party are subject to general principles of equity.

4.3. Consents and Approvals of Governmental Authorities.

Except as set forth on Schedule 4.3 attached hereto or as described in Article II hereof, no consent, approval or authorization of, or declaration, filing or registration with or notice to, any governmental or regulatory authority or any other third party (other than the parties to the Transaction Documents with respect to consents or approvals being delivered in connection with the Transactions) is required in connection with or as a result of the execution and delivery by ALRe of this Agreement and the other Transaction Documents to which it is a party or the performance by ALRe of its obligations hereunder and thereunder and in respect of the Transactions or for XL Life, upon the effectiveness of the Novations, to have the benefit of any third party reinsurance that is currently available to ALRe in connection with the Novated Contracts.

4.4. No Violation.

Assuming that all consents, approvals or authorizations and other actions listed on Schedule 4.3 and described in Article II hereof have been obtained and all notices listed on such Schedule have been given, the execution and delivery of this Agreement and the other Transaction Documents to which ALRe is a party by ALRe and the performance by ALRe of its obligations hereunder and thereunder and in respect of the Transactions, do not and will not (a) constitute or result in a breach of any term, condition or provision of, or constitute a default (or an event which, with notice or the lapse of time, or both, has the potential of con-

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stituting a default) under, (i) any charter document or the By-laws of ALRe or (ii) any material mortgage, indenture, loan or credit agreement or any other material agreement or instrument to which ALRe is a party, or pursuant to which it is the direct or indirect obligor or (b) violate any law, regulation, judgment, injunction, order or decree binding upon ALRe, or (c) require the consent of any third party.

4.5. Novated Contracts.

All of the Novated Contracts are in full force and effect. Except as described in Schedule 4.5, ALRe is not in default as to any provision thereof, and no such contracts contain any provision providing that the other party thereto may terminate such agreement by reason of the transactions contemplated by this Agreement or the other Transaction Documents.

4.6. Owed Amounts.

All amounts to which ALRe is entitled under the Novated Contracts (including without limitation amounts based on paid and unpaid losses) are fully collectible.

4.7. Good Title.

ALRe will, on the Closing Date, own all of the Novated Contracts, free and clear of any liens, encumbrances, claims or charges whatsoever, except for policy loans, liens, encumbrances, claims or charges created by, through or under policyholders or other parties to the policies, annuities or contracts constituting the Novated Contracts or reinsurance agreements and treaties in force related to the Novated Contracts as of such date.

4.8. Reserves.

(a) Each of the reserves for the Novated Contracts was as set forth on the Statutory Statements of ALRe for the year ended December 31, 2001. As of such dates, the reserves:

(i) were computed in accordance with commonly accepted actuarial standards consistently applied;

(ii) were based on actuarial assumptions that produce reserves at least as great as those required by generally accepted accounting principles in Bermuda;

(iii) were computed in accordance with all applicable statutory accounting principles; and

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(iv) included provision for all actuarial reserves and related actuarial statement items which ought to have been established in accordance with the foregoing and the facts available at the time of computation.

(b) Set forth in Schedule 4.8 is a description of: (i) all claims pending against ALRe with respect to the Novated Contracts, and all claims incurred but not reported with respect thereto, as of December 31, 2002 (with respect to the universal life insurance business) and (ii) all claims pending against ALRe, and all claims incurred but not reported, as of December 31, 2002 (with respect to all other business included in the Novated Contracts), together with a description of the reserves established for each of such claim. In each case, such reserve was, and remains, adequate for such claim.

4.9. Solvency.

As of the date hereof, both before and after giving effect to the Transactions, (a) the fair value of the assets of ALRe exceeds its debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of ALRe is greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities come due; (c) ALRe is able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities come due; and (d) ALRe does not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted following the Closing Date.

4.10. Absence of Insolvency Proceedings.

As of the date hereof there is no insolvency proceeding of any character, voluntary or involuntary, relating to ALRe, which is pending or, to the best of ALRe's knowledge, threatened. ALRe has not made any assignment for the benefit of creditors or taken any action with a view to, or which would constitute a basis for, the institution of an insolvency proceeding.

4.11. Brokerage.

Except for Morgan Stanley Dean Witter & Co., whose fees will be paid by ALRe, no broker or finder has acted directly or indirectly for ALRe in connection with this Agreement or the Transaction Documents or the transactions contemplated hereby or thereby, and no broker or finder is entitled to any brokerage or finder's fee or other commission in respect thereof based in any way on agreements, arrangements or understandings made by or on behalf of ALRe.

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ARTICLE V

REPRESENTATIONS AND WARRANTIES OF XL LIFE

XL Life represents and warrants to ALRe as follows:

5.1. Corporate Organization.

XL Life is an exempted limited company duly organized, validly existing and in good standing under the laws of Bermuda.

5.2. Authorization; Execution and Delivery, etc.

Subject to the receipt of the approval of XL's and XL Life's Boards of Directors, XL Life has full corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party, and XL Life has full corporate power and authority to perform its obligations hereunder and thereunder and in respect of the Transactions. This Agreement constitutes, and the other Transaction Documents to which XL Life is a party when executed and delivered will each constitute, the valid and binding agreement of XL Life, each enforceable in accordance with its terms, except (i) as the enforcement of this Agreement and the Transaction Documents to which XL Life is a party may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) as the obligations of XL Life under this Agreement and the other Transaction Documents to which it is a party are subject to general principles of equity.

5.3. Consents and Approvals of Governmental Authorities.

Except as described in Article II hereof, no consent, approval or authorization of, or declaration, filing or registration with or notice to, any governmental or regulatory authority or any other third party is required in connection with or as a result of the execution and delivery by XL Life of this Agreement and the other Transaction Documents to which it is a party or the performance by XL Life of its obligations hereunder and thereunder and in respect of the Transactions.

5.4. No Violation.

The execution and delivery of this Agreement and the other Transaction Documents to which it is a party by XL Life and the performance by XL Life of its obligations hereunder and thereunder and in respect of the Transactions do not and will not (a) constitute or result in a breach of any term, condition or provision of, or constitute a default (or an event which, with notice or the lapse of time, or both, has the potential of constituting a default) under (i) any charter document or By-laws of XL Life or (ii) any material mortgage, indenture, loan or credit agreement or any other material agreement or instrument to which XL Life is a

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party, or pursuant to which it is the direct or indirect obligor, or (b) violate any law, regulation, judgment, injunction, order or decree binding upon XL Life or (c) require the consent of any third party.

ARTICLE VI

COVENANTS OF ALRE

From and after the date of this Agreement through the Closing Date or thereafter as contemplated in the following covenants, ALRe shall comply with the following covenants:

6.1. Approvals and Consents.

Use its best efforts to (i) obtain all governmental and shareholder approvals and consents, if any, necessary or required for the consummation of the transactions contemplated hereby, including those specified in Schedule 4.3 hereto and those described in Article II hereof; and (ii) make or cause to be made any and all declarations, filings and registrations with governmental authorities, including those specified in Schedule 4.3 hereto and those described in Article II hereof, which approvals, consents, declarations, filings and registrations are necessary or required for the consummation of the transactions contemplated hereby and by the other Transaction Documents.

6.2. Further Assurances.

(a) To do or cause to be done such further acts and things and deliver or cause to be delivered to XL Life, XLI, XLFA, the Agent and the Cedents and/or their respective designees such additional assignments, agreements, powers and instruments, as XL Life, XLI, XLFA, the Agent and Cedents and/or their respective designees may reasonably require or deem advisable to carry into effect the purposes of this Agreement and the other Transaction Documents or to better assure and confirm unto XL Life, XLI, XLFA, the Agent and the Cedents and/or their respective designees the rights, powers and remedies of each hereunder and thereunder.

(b) In the event that ALRe receives, directly or indirectly, any payments after the Closing that, as a result of the Novations or any of the other Transactions, should have been paid to XL, XL Life, XLI or XLFA, it will promptly and without delay turn over all such amounts to XL, XL Life, XLI or XLFA, as the case may be.

6.3. Success Fee.

If (i) ALRe completes one or more equity and/or debt financings during the eighteen (18) months following the Closing Date in an aggregate amount of at least \$35.0

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million and (ii) at any time during such eighteen month period, the trading price of ALRe's common shares is at or above \$5.00 per share for at least twenty (20) out of any thirty (30) consecutive trading days, then, in recognition of XL's and its Affiliates' participation in the Transactions and the contribution that such participation has made to the ability of ALRe to complete such debt and/or equity financings, to pay to XL \$5.0 million in cash (or, in the sole discretion of XL, the equivalent thereof) (the "Success Fee").

6.4. Additional Costs in Respect of Novated Contracts.

(a) To pay to XL Life promptly an amount equal to the aggregate amount of claims or debts payable by XL Life under the CNA Contracts in respect of deaths occurring prior to December 31, 2002.

(b) To pay to XL Life promptly following the calculation of the Actual December 31 GAAP Reserves (but in no event later than February 15, 2003), an amount in cash equal to the excess of the Actual December 31 GAAP Reserves over the Transferred GAAP Reserves.

6.5. Certified Board Minutes.

To provide to XL with a certified copy of an excerpt from the minutes of the special committee of the Board of Directors of ALRe relating to the analysis of the fairness of the Transactions as a whole to ALRe, together with a copy of any written analysis or other materials presented to the Board of Directors by Morgan Stanley Dean Witter & Co. relating thereto.

ARTICLE VII

COVENANTS OF XL LIFE

From and after the date of this Agreement through the Closing Date, XL Life shall comply with the following covenants:

7.1. Approvals and Consents.

Use its best efforts to (i) obtain all governmental approvals and consents, if any, necessary or required for the consummation of the transactions contemplated hereby; and (ii) make or cause to be made any and all declarations, filings and registrations with governmental authorities, which approvals, consents, declarations, filings and registrations are necessary or required for the consummation of the transactions contemplated hereby and by the other Transaction Documents.

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7.2. Further Assurances.

To do or cause to be done such further acts and things and deliver or cause to be delivered to ALRe and/or its designees such additional assignments, agreements, powers and instruments as ALRe and/or its designees may reasonably require or deem advisable to carry into effect the purposes of this Agreement and the other Transaction Documents or to better assure and confirm unto ALRe and/or its designees the rights, powers and remedies of each hereunder and thereunder.

ARTICLE VIII

CONDITIONS PRECEDENT TO ALL PARTIES' OBLIGATIONS

The performance of the obligations of each of the parties hereto on the Closing Date is subject to the following conditions precedent:

8.1. Transaction Documents.

Prior to the Closing, the Transaction Documents shall have been entered into by each of the parties thereto and each Transaction Document shall be in full force and effect, all of the conditions thereunder shall have been satisfied, no party shall be in default thereunder, and no circumstances shall exist which with the passage of time or notice or both would constitute a default thereunder.

8.2. Transactions.

On the Closing Date, each of the Transactions shall occur contemporaneously with one another as described in Section 2.1 hereto.

8.3. Fairness of Transactions to ALRe.

A special committee of disinterested directors of the Board of Directors of ALRe shall have received analyses or advice of Morgan Stanley Dean Witter & Co., financial advisor to ALRe, regarding the fairness of the Transactions as a whole to ALRe.

8.4. Board of Directors Approval.

This Agreement and the transactions contemplated hereby shall have been duly approved by the Board of Directors of each of XL, XL Life, Viva and ALRe.

8.5. Litigation and Proceedings.

No action or proceeding shall have been instituted or threatened against any of the parties to this Agreement or their partners, directors or officers by or before any Governmental Entity to restrain, enjoin, prohibit or otherwise challenge, or to obtain substantial dam-

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ages or other relief in respect of, this Agreement and the other Transaction Documents or the consummation of the Transactions contemplated hereby and thereby which would make it inadvisable to consummate such transactions. No party to this Agreement or the other Transaction Documents shall have received written notice from any Governmental Entity of its intention to (i) institute any action or proceeding to restrain or enjoin the consummation of the Transactions contemplated hereby or thereby or to nullify or render ineffective this Agreement or the other Transaction Documents or such Transactions if consummated, or (ii) commence any investigation into the execution of this Agreement or the other Transaction Documents and the consummation of the Transactions contemplated hereby or thereby, which action, proceeding or investigation would make it inadvisable to consummate the Transactions contemplated hereby or thereby.

8.6. Approvals and Consents.

No Governmental Entity shall have indicated its objection to, or its intent to challenge as violative of any federal, state or foreign laws, any of the Transactions contemplated by this Agreement or the other Transaction Documents.

ARTICLE IX

CONDITIONS PRECEDENT TO ALRE'S OBLIGATIONS

The performance of the obligations of ALRe, on the Closing Date, in addition to being subject to the satisfaction of the conditions set forth in Article Eight hereof, is subject to the satisfaction of the following conditions at or prior to the Closing Date (any of which may be waived by ALRe):

9.1. Representations and Warranties.

The representations and warranties of XL Life set forth in this Agreement shall be true and correct at and as of the Closing Date as if made on that date (except to the extent such representations and warranties relate to an earlier date).

9.2. Performance.

The covenants and agreements set forth in this Agreement and the other Transaction Documents and the obligations and conditions required by this Agreement to be met, performed or complied with by XL Life prior to or at the Closing, shall have been performed and complied with in all material respects prior to or at the Closing Date.

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9.3. Corporate Action.

All corporate and other actions necessary to authorize and effectuate the consummation of the transactions contemplated hereby by XL Life shall have been duly taken prior to the Closing.

9.4. Certificates.

XL Life shall furnish ALRe, upon request, with certificates of XL Life signed by an officer of XL Life certifying compliance with the conditions set forth in this Article Nine in a form satisfactory to ALRe.

ARTICLE X

CONDITIONS PRECEDENT TO XL LIFE'S OBLIGATIONS

The performance of the obligations of XL Life, on the Closing Date, in addition to being subject to the satisfaction of the conditions set forth in Article Eight hereof, is subject to satisfaction of the following conditions at or prior to the Closing Date (any of which may be waived by XL Life):

10.1. Representations and Warranties.

The representations and warranties of ALRE set forth in this Agreement shall be true and correct at and as of the Closing Date as if made on that date (except to the extent such representations and warranties relate to an earlier date).

10.2. Performance.

The covenants and agreements set forth in this Agreement and the Transaction Documents and the obligations and conditions required by this Agreement to be met, performed or complied with by ALRe prior to or at the Closing, shall have been performed and complied with in all material respects prior to or at the Closing Date.

10.3. Approvals and Consents.

All consents, authorizations and approvals listed on Schedule 4.3 hereof and which are indicated on such Schedule as being required to be obtained prior to the Closing Date shall have been obtained; and no Governmental Entity shall have indicated its objection to, or its intent to challenge as violative of any federal, state or foreign laws, any of the transactions contemplated by this Agreement or the Transaction Documents. XL Life shall have received all necessary third party consents to the Transactions and those necessary to maintain, for XL Life's benefit, any related retrocession or other reinsurance.

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10.4. Corporate Action.

All corporate and other actions necessary to authorize and effectuate the consummation of the Transactions contemplated hereby by ALRe shall have been duly taken prior to the Closing.

10.5. Certificates.

ALRe shall furnish XL Life, upon request, with certificates of ALRe signed by an officer of ALRe certifying compliance with the conditions set forth in this Article Ten in a form satisfactory to XL Life.

10.6. Due Diligence.

XL shall have completed and shall have been satisfied with the results of its due diligence review, including without limitation, its legal, accounting, tax and actuarial review as to, among other things, the magnitude, adequacy and quality of the reserves held in the ALRe Reserve Trusts.

10.7. Opinions.

XL Life shall have received the opinions of Conyers Dill and Pearlman and Edwards & Angell, LLP, Bermuda and New York counsel to ALRe respectively, in form and substance satisfactory to XL Life.

10.8. Payment of Expenses.

ALRe shall have paid \$750,000 of the expenses of XL and XL Life required to be paid by Section 13.1 hereof.

ARTICLE XI

TERMINATION AND ABANDONMENT, ETC.

11.1. Methods of Termination.

This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing: (a) by mutual written consent of XL Life and ALRe; (b) by either XL Life or ALRe, by written notice to the other, if either (1) the Closing has not occurred on or before the Termination Date unless a later date is established by the mutual written consent of such parties before or after such date or unless the failure of such consummation by the Termination Date shall be due to the failure of the party seeking to terminate this Agreement to perform its obligations under this Agreement required to be performed by it on or prior to such date pursuant to the terms hereof or (2) this Agreement and

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the transactions contemplated hereby shall not have been duly approved by the Board of Directors of each of XL, XL Life and ALRe on or prior to December 31, 2002; or (c) by either XL Life or ALRe, by written notice to the other if there has been a material breach by the other of any of its representations, warranties, covenants or other agreements hereunder and such breach is not cured within 20 days of such notice. The "Termination Date" shall be January 3, 2003.

11.2. Effect of Termination.

After termination and abandonment as permitted by Section 11.1 hereof:

(a) Termination of this Agreement pursuant to Section 11.1 shall terminate all obligations and liabilities of the parties hereunder, including their officers and directors, except for the obligations under this Section 11.2, Section 13.1, Section 13.3, Section 13.6 and Section 13.12; provided, however, that termination pursuant to clause (b) or (c) of Section 11.1 shall not relieve the defaulting or breaching party from any liability to any other party hereto; and

(b) Each party hereto will redeliver all documents, work papers and other material of any other party relating to the transactions contemplated hereby, and all copies of such materials, whether so obtained before or after the execution hereof, to the party furnishing the same.

ARTICLE XII

INDEMNIFICATION

12.1. Indemnification by ALRe.

ALRE hereby agrees to indemnify, save, defend and hold harmless XL Life and any of its Subsidiaries and its officers, directors, employees, Affiliates and agents from and against all losses, liabilities, damages, actions, causes of action, claims, judgments, penalties, fines, costs, obligations, taxes, expenses and fees, including all reasonable attorneys' fees and court costs (collectively, "Losses"), incurred by XL Life resulting from, arising out of, relating to, in the nature of or caused by (i) any inaccuracy in or any breach by ALRe of, any representation, warranty or agreement of ALRE contained herein and (ii) any breach or violation of any of the covenants or agreements of ALRe contained in this agreement or any of the other Transaction Documents; provided, however, that such obligation shall, in the case of Losses arising out of the events described in clause (i) only, apply only to Losses in excess of \$100,000.

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12.2. Indemnification by XL Life.

XL Life hereby agrees to indemnify, save, defend and hold harmless ALRe and any of its Subsidiaries and its officers, directors, employees, Affiliates and agents from and against all Losses incurred by or asserted against ALRe, any of its Subsidiaries or its officers, directors, employees, Affiliates and agents resulting from, arising out of, relating to, in the nature of or caused by (i) any inaccuracy in, or the breach by XL Life of, any representation, warranty or agreement of XL Life contained herein and (ii) any breach or violation of any of the covenants or agreements of XL Life contained in this agreement or any of the other Transaction Documents; provided, however, that such obligation shall, in the case of Losses arising out of the events described in clause (i) only, apply only to Losses in excess of \$100,000.

12.3. Notice.

Promptly after receipt by any party hereto (the "Indemnitee") of notice of any demand, claim or circumstance which, with the lapse of time, would or might give rise to a claim or the commencement (or threatened commencement) of any action, proceeding or investigation that may result in Losses as to which the Indemnitee is entitled to indemnification hereunder (an "Asserted Liability"), the Indemnitee shall give notice thereof (the "Claims Notice") to any other party (or parties) obligated to provide indemnification with respect to such Asserted Liability pursuant to this Article XII (the "Indemnifying Party"). The Claims Notice shall describe the Asserted Liability in reasonable detail, and shall indicate the amount (estimated, if necessary and to the extent feasible) of the Losses that has been or may be suffered by the Indemnitee. Failure to provide the Claims Notice shall not relieve the Indemnifying Party of its obligations under this Article XII except to the extent that the Indemnifying Party demonstrates that it has been materially prejudiced by the failure to give such notice.

12.4. Settlement.

The Indemnifying Party may elect to settle, compromise or defend, at its own expense and by its own counsel (which shall be reasonably acceptable to the Indemnitee), any Asserted Liability; provided, however, that if the named or potential parties to any action or proceeding in connection with such Asserted Liability include both the Indemnifying Party and the Indemnitee, or if the Indemnifying Party does not notify the Indemnitee of its election as required below or contests its obligation to indemnify under this Agreement, the Indemnifying Party shall not have the right to settle, compromise or defend such Asserted Liability, and the Indemnitee may elect, at the expense of the Indemnifying Party, to employ one separate counsel in each applicable jurisdiction to settle, compromise or defend such Asserted Liability. If the Indemnifying Party is entitled to and elects to settle, compromise or defend an Asserted Liability, it shall within 30 days after receipt of the Claims Notice (or sooner, if the nature of the Asserted Liability so requires) notify the Indemnitee of its intent to do so, and the Indemnitee shall cooperate, at the expense of the Indemnifying Party, in the settlement or

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compromise of, or defense against, such Asserted Liability. If the Indemnifying Party elects not to settle, compromise or defend the Asserted Liability, fails to notify the Indemnitee of its election as herein provided, or contests its obligation to indemnify under this Agreement, the Indemnitee may settle, compromise or defend such Asserted Liability. Notwithstanding anything to the contrary contained in this Section, neither the Indemnifying Party nor the Indemnitee may settle or compromise any claim over the objection of the other; provided, however, that consent to settlement or compromise shall not be unreasonably withheld or delayed; provided, further, that the parties agree that it shall not be unreasonable to withhold such consent if such settlement or compromise contains any material restrictions, limitations or other conditions on such party or the conduct of such party's business or business operations. In any event, each of the Indemnitee and the Indemnifying Party may participate, at its own expense, in the defense of the Asserted Liability.

12.5. Survival of Representations and Warranties.

All representations and warranties contained herein shall survive the execution of this Agreement and the consummation of the Transactions contemplated hereby until the first anniversary of the Closing. From and after the first anniversary of the Closing, the indemnification obligations of this Article XII shall expire, except with respect to any claims for indemnification asserted prior to the first anniversary of the Closing.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.1. Expenses.

Whether or not the Closing occurs, ALRe shall all of XL's and XL Life's expenses incurred by them in connection with this Agreement and the other Transaction Documents and the consummation of the Transactions contemplated hereby and thereby and preparation therefor, including, without limitation, fees and disbursements of XL's legal, actuarial, accounting and other advisors (other than investment banking fees and expenses) incurred on or before the Closing Date in connection with (i) this Agreement and the other Transaction Documents and the consummation of the Transactions contemplated hereby and thereby and (ii) in connection with all other transactions discussed with ALRe and/or Viva since August 1, 2002; provided, however, that (x) ALRe shall only be obligated to pay one-half of all such fees and expenses of XL and XL Life in excess of \$750,000 and (y) the maximum amount of fees and expenses of XL and XL Life payable by ALRe under this Section 13.1 shall not exceed \$1,250,000. Notwithstanding the foregoing, if the Closing does not occur prior to the Termination Date, ALRe shall pay all of the expenses incurred by XLI in connection with obtaining the Letters of Credit.

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13.2. Assignment and Binding Effect.

This Agreement and any of the rights or obligations hereunder shall not be assignable by any party without the prior written consent of the other parties hereto; provided, however, that XL Life may assign its rights hereunder to an Affiliate. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

13.3. Governing Law.

This Agreement shall be governed, construed and enforced in accordance with the laws of the State of New York without regard to principles of conflicts of laws.

13.4. Notices.

All notices, demands, requests and other communications required or permitted to be given hereunder shall be in writing and deemed duly given on the date delivered by hand, facsimile mailed by registered or certified mail, postage prepaid or sent by overnight courier and, pending the designation of another address, addressed as follows:

If to XL Life:

c/o XL Capital Ltd
One Bermudiana Road
Hamilton HM JX
Bermuda
Attn: Jerry de St. Paer, Paul Giordano and
Robert Douglas
Facsimile: (441) 296-7340

With a copy to:

Cahill Gordon & Reindel
80 Pine Street
New York, New York 10005
Attn: Robert Usadi
Facsimile: (212) 269-5420

If to ALRe or Viva:

c/o Annuity and Life Reassurance Ltd.
Cumberland House
One Victoria Street
Hamilton HM 11

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Bermuda
Attn: Bob Reale
Facsimile: (441) 296-7665

With a copy to:

Conyers Dill & Pearlman
Clarendon House
2 Church Street
Hamilton HM CX
Bermuda
Attn: Alan Dickson
Facsimile: (441) 292-4720

13.5. Benefit.

Nothing in this Agreement, express or implied, is intended or shall be construed to confer upon or give to any person, firm or corporation other than the parties hereto, XLI, XL and XLFA any remedy or claim under or by reason of this Agreement or any term, covenant or condition hereof, all of which shall be for the sole and exclusive benefit of the parties hereto, XLI, XL and XLFA.

13.6. Press Releases.

The content and timing of all press releases and other public statements relating to this Agreement and the Transaction Documents shall at all times be subject to the prior mutual agreement of ALRe and XL. Notwithstanding the foregoing, in the event that ALRe or XL determines that it or an Affiliate is legally required to make a disclosure relating to this Agreement or the Transaction Documents, after adequate notice, as soon as reasonably possible, it shall endeavor in good faith to obtain the consent of the other party, which consent shall not be unreasonably withheld, to any such disclosure. In the event such consent cannot be secured, the other party shall be permitted to make its disclosure, but such disclosure shall be limited to those matters legally required.

13.7. Headings.

The headings of the Sections and Articles of this Agreement are inserted as a matter of convenience and for reference purposes only, are of no binding effect, and in no respect define, limit or describe the scope of this Agreement or the intent of any Section or Article.

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13.8. Schedules, etc.

All schedules delivered pursuant to this Agreement shall be deemed part of this Agreement and incorporated herein, where applicable, as if fully set forth herein. All statements contained in any exhibit or schedule delivered by or on behalf of the parties hereto, or in connection with the transactions contemplated hereby, are an integral part of this Agreement.

13.9. Counterparts.

This Agreement may be signed in any number of counterparts, each of which for all purposes shall be deemed to be an original and all of which together shall constitute the same agreement.

13.10. Entire Agreement and Amendment.

This Agreement, including the Exhibits and Schedules hereto, and the Transaction Documents represent the entire understanding and agreement between the parties hereto with respect to the subject matter hereof. This Agreement can be amended, modified, supplemented, extended, terminated (except as provided in Article XI hereof), discharged or changed only by an agreement in writing which makes specific reference to this Agreement and which is signed by the party against whom enforcement of any such amendment, modification, supplement, extension, termination, discharge or change is sought.

13.11. Waiver of Compliance.

Any failure of any of the parties hereto to comply with any obligation, covenant, agreement or condition herein contained may be expressly waived, in writing only, by the other parties hereto and such waiver shall be effective only in the specific instance and for the specific purpose for which made or given.

13.12. Remedies; Arbitration.

Any dispute, controversy, or claim arising out of or relating to this Agreement or to the breach, termination, or asserted invalidity thereof, shall be fully and finally determined in a binding arbitration to be conducted in Hamilton, Bermuda, or such other place as all parties to the arbitration may unanimously agree. The arbitration shall be administered by the American Arbitration Association ("AAA") and shall be conducted under the Commercial Arbitration Rules and other procedures thereof. There shall be no party-appointed arbitrators; the panel shall consist of three disinterested active or retired officers of United States life insurance or life reinsurance companies with at least 20 years experience in such field, each of whom shall be appointed by the AAA; provided, however, that each party shall have the right to exercise two peremptory challenges of the arbitrators so appointed, in which event the AAA shall appoint a replacement arbitrator for each arbitrator so challenged.

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The parties shall initially split equally the cost of bringing panel members to Bermuda for hearing and deliberations. The panel may prescribe reasonable rules and regulations governing the course and conduct of the arbitration proceeding, including without limitation discovery by the parties. Any order as to the costs of the arbitration shall be in the sole discretion of the Board, who may direct to whom and by whom and in what manner they shall be paid.

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IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed in its name and on its behalf, all as of the date first above written.

ANNUITY AND LIFE REASSURANCE, LTD.

By: /s/ R Reale

Name: Robert Reale
Title: SVP & Chief Underwriter

VIVA REASSURANCE, LTD.

By: /s/ M.D. Hamer

Name: M.D. Hamer
Title: Director

XL LIFE LTD

By: /s/ Paul Giordano

Name: Paul Giordano
Title: Secretary

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SCHEDULE A

NOVATED CONTRACTS

- ZURICH KEMPER YRT INFORCE TREATY
Reinsurance Agreement effective October 1, 2000, between Federal Kemper Life Assurance Company and ALRe.
- ZURICH KEMPER TERM COINSURANCE TREATIES
Term Life Coinsurance Agreement effective April 1, 2000, and all subsequent amendments, between Zurich Life Insurance Company of America and ALRe.
Term Life Coinsurance Agreement effective April 1, 2000, and all subsequent amendments, between Federal Kemper Life Assurance Company and ALRe.
Term Life Coinsurance Agreement effective October 31, 2000, and all subsequent amendments, between Fidelity Life Association and ALRe.
- PROTECTIVE TERM YRT TREATIES
Yearly Renewable Term Reinsurance Agreement effective January 1, 2000, and all subsequent amendments, between Protective Life Insurance Company and ALRe, covering level term policies directly written by Protective Life Insurance Company.
Yearly Renewable Term Reinsurance Agreement effective January 1, 2000, and all subsequent amendments, between Protective Life Insurance Company and ALRe, covering level term policies directly written by Mennonite Mutual Aid Association and 100% coinsured by Protective Life Insurance Company.
- EMPIRE GENERAL TERM YRT TREATIES
Yearly Renewable Term Reinsurance Agreement effective January 1, 2000, and all subsequent amendments, between Empire General Life Assurance Company and ALRe, covering level term policies.
Yearly Renewable Term Reinsurance Agreement effective October 1, 2000, and all subsequent amendments, between Empire General Life Assurance Company and ALRe, covering level term policies.

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- PHOENIX COINSURANCE TERM TREATIES

Automatic Coinsurance Agreement No. 3017 effective January 1, 2000, and all subsequent amendments, between PHL Variable Insurance Company and ALRe, covering PTC-10 policies.

Automatic Coinsurance Agreement No. 3012 effective January 1, 2000, and all subsequent amendments, between PHL Variable Insurance Company and ALRe, covering PTC-20 policies.

Automatic Coinsurance Agreement No. 3027 effective March 3, 2000, and all subsequent amendments, between Phoenix Life Insurance Company, Phoenix Life and Annuity Company, and ALRe, covering PES-10 policies.

Automatic Coinsurance Agreement No. 3031 effective March 3, 2000, and all subsequent amendments, between Phoenix Life Insurance Company, Phoenix Life and Annuity Company, and ALRe, covering PES-20 policies.

Automatic Coinsurance Agreement No. 3078 effective February 25, 2002, and all subsequent amendments, between Phoenix Life Insurance Company, PHL Variable Insurance Company, and ALRe, covering PTC-20 policies.

Automatic Coinsurance Agreement No. 3073 effective February 25, 2002, and all subsequent amendments, between Phoenix Life Insurance Company, Phoenix Life and Annuity Company, and ALRe, covering PES-20 policies.

Reinsurance Agreement No. 2846 effective October 1, 1998, and all subsequent amendments, between Phoenix Life Insurance Company and ALRe.

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Exhibit 2.2

NOVATION AGREEMENT

THIS NOVATION AGREEMENT is made as of December 31, 2002 (the "Novation Date") among Annuity and Life Reassurance, Ltd ("ALRe"), XL Life Ltd ("XL"), and Continental Assurance Company ("Ceding Company").

WHEREAS, ALRe and Ceding Company are parties to a reinsurance agreement (the "Subject Agreement") set forth in Schedule A hereto; and

WHEREAS, as of December 31, 2002, the parties to this Novation Agreement have agreed to novate the Subject Agreement by substituting XL for ALRe as reinsurer thereunder, such that XL will assume all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreement and that ALRe shall be released and discharged from any further liability or obligations whatsoever thereunder; and

WHEREAS, Ceding Company wishes to consent and agree to such novation.

NOW, THEREFORE, in consideration of the foregoing and of the following mutual terms, conditions, covenants, and agreements, the parties agree that on the Novation Date, but effective as to the Subject Agreement on the inception date of such Subject Agreement, XL is hereby substituted as the Reinsurer under the Subject Agreement in place and instead of ALRe. XL and Ceding Company hereby ratify and confirm that the Subject Agreement shall be treated as always having been an agreement solely between them. In implementation and not in limitation of the foregoing, the parties further agree as follows:

1. From and after the Novation Date, but effective as to the Subject Agreement on the inception date thereof, XL hereby assumes all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreement, and XL shall be bound by all terms and conditions of the Subject Agreement.
2. Performance and/or breach prior to the Novation Date by ALRe shall after the Novation Date be treated for all purposes as having been performance or breach by XL.
3. Effective as of the Novation Date, Ceding Company hereby releases and discharges ALRe from and against any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with the Subject Agreement and shall look solely to XL for performance thereof.
4. From and after the Novation Date, the Ceding Company shall have no further duties, obligations, and/or liabilities whatsoever, express or implied, to ALRe under or in connection with the Subject Agreement, but any such duties, obligations, and/or liabilities theretofore existing shall continue as duties, obligations, and/or liabilities of the Ceding Company to XL.
5. Notwithstanding anything contained in this Novation Agreement or in the Subject Agreement, the Ceding Company shall not have the right to cede any policies under the Subject Agreement with an issue date after the date hereof.
6. Each party agrees to do all things as may be necessary to give full effect to this Novation Agreement.
7. This Novation Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

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8. This Novation Agreement shall be subject to the arbitration provisions of the Subject Agreement and shall be governed by and construed in accordance with the laws applicable to the Subject Agreement.
9. The Ceding Company agrees to relinquish its rights as beneficiary to the Citibank Letter of Credit as provided by ALRe in accordance with the Subject Agreement by providing written notice of such to the issuing bank simultaneously with its receipt of the Letter of Credit referred to in paragraph 12 below.
10. This Novation Agreement may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.
11. This Novation Agreement will become effective when it has been executed in Bermuda by XL after having been executed by ALRe and the Ceding Company.
12. The Novation Date will not occur unless and until the Ceding Company shall have received (including by facsimile transmission) a letter of credit (the "Letter of Credit") in the amount of \$1.5 Million in substantially the form of Exhibit A hereto issued by the banks listed in Exhibit A and XL shall have received in Bermuda (including by facsimile transmission) a receipt for the Letter of Credit in the form of Exhibit B hereto, provided that if these conditions to the occurrence of the Novation Date are satisfied, the Novation Date shall be December 31, 2002.

IN WITNESS WHEREOF the parties have executed this Novation Agreement as of December 31, 2002.

ANNUITY AND LIFE REASSURANCE, LTD.

By: /s/ R Reale

By: /s/ Rod Cordle

Title: SVP & CU

Title: VP

Date: 12/31/2002

Date: 12/31/2002

CONTINENTAL ASSURANCE COMPANY

By: /s/ [SIGNATURE ILLEGIBLE]

By: /s/ [SIGNATURE ILLEGIBLE]

Title: Sr. Vice President

Title: Sr. Vice President

Date: 12/28/2002

Date: 12/28/2002

XL LIFE LTD

By: /s/ Paul Giordano

By: /s/ [SIGNATURE ILLEGIBLE]

Title: Secretary

Title: Vice President

Date: 31 Dec 2002

Date: 31 Dec 2002

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Schedule A

Automatic Reinsurance Agreement CALR019
Between

Continental Assurance Company
(Domiciled in Chicago, Illinois)
and

XL Life Ltd., as amended by Amendment No. 1
(Annuity & Life Reassurance (Bermuda) Ltd., prior to Novation)

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Exhibit 2.3

NOVATION AGREEMENT

THIS NOVATION AGREEMENT is made as of December 31, 2002 (the "Novation Date") among Annuity and Life Reassurance, Ltd ("ALRe"), XL Life Ltd ("XL"), and Valley Forge Life Insurance Company ("Ceding Company").

WHEREAS, ALRe and Ceding Company are parties to a reinsurance agreement (the "Subject Agreement") set forth in Schedule A hereto; and

WHEREAS, as of December 31, 2002, the parties to this Novation Agreement have agreed to novate the Subject Agreements by substituting XL for ALRe as reinsurer thereunder, such that XL will assume all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements and that ALRe shall be released and discharged from any further liability or obligations whatsoever thereunder; and

WHEREAS, Ceding Company wishes to consent and agree to such novation.

NOW, THEREFORE, in consideration of the foregoing and of the following mutual terms, conditions, covenants, and agreements, the parties agree that on the Novation Date, but effective as to the Subject Agreement on the inception date of such Subject Agreement, XL is hereby substituted as the Reinsurer under the Subject Agreement in place and instead of ALRe. XL and Ceding Company hereby ratify and confirm that the Subject Agreement shall be treated as always having been an agreement solely between them. In implementation and not in limitation of the foregoing, the parties further agree as follows:

1. From and after the Novation Date, but effective as to the Subject Agreement on the inception date thereof, XL hereby assumes all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreement, and XL shall be bound by all terms and conditions of the Subject Agreement.
2. Performance and/or breach prior to the Novation Date by ALRe shall after the Novation Date be treated for all purposes as having been performance or breach by XL.
3. Effective as of the Novation Date, Ceding Company hereby releases and discharges ALRe from and against any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with the Subject Agreement and shall look solely to XL for performance thereof.
4. From and after the Novation Date, the Ceding Company shall have no further duties, obligations, and/or liabilities whatsoever, express or implied, to ALRe under or in connection with the Subject Agreement, but any such duties, obligations, and/or liabilities theretofore existing shall continue as duties, obligations, and/or liabilities of the Ceding Company to XL.
5. Notwithstanding anything contained in this Novation Agreement or in the Subject Agreement, the Ceding Company shall not have the right to cede any policies under the Subject Agreement with an issue date after the date hereof.
6. Each party agrees to do all things as may be necessary to give full effect to this Novation Agreement.
7. This Novation Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

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8. This Novation Agreement shall be subject to the arbitration provisions of the Subject Agreement and shall be governed by and construed in accordance with the laws applicable to the Subject Agreement.
9. The Ceding Company agrees to reduce to \$1.1 million the amount it is entitled to as beneficiary to the Citibank Letter of Credit as provided by ALRe in accordance with the Subject Agreement by providing written notice of such to the issuing bank simultaneously with its receipt of the Letter of Credit referred to in paragraph 12 below.
10. This Novation Agreement may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed and original.
11. This Novation Agreement will become effective when it has been executed in Bermuda by XL after having been executed by ALRe and the Ceding Company.
12. The Novation Date will not occur unless and until the Ceding Company shall have received (including by facsimile transmission) a letter of credit (the "Letter of Credit") in the amount of \$82.5 Million substantially the form of Exhibit A hereto issued by the banks listed in Exhibit B and XL shall have received in Bermuda (including by facsimile transmission) a receipt for the Letter of Credit in the form of Exhibit B hereto, provided that if these conditions to the occurrence of the Novation Date are satisfied, the Novation Date shall be December 31, 2002.

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IN WITNESS WHEREOF the parties have executed this Novation Agreement as of December 31, 2002.

ANNUITY AND LIFE REASSURANCE, LTD.

By: /s/ R Reale

By: /s/ Rod Cordle

Title: SVP & CU

Title: VP

DATE: 12/31/2002

DATE: 12/31/02

VALLEY FORGE LIFE INSURANCE COMPANY

By: /s/ [Signature Illegible]

By: /s/ [Signature Illegible]

Title: SR VICE PRESIDENT

Title: SR VICE PRESIDENT

DATE: 12/28/2002

DATE: 12/28/2002

XL LIFE LTD

By: /s/ Paul Giordano

By: /s/ [Signature Illegible]

Title: Secretary

Title: Vice President

Date: 31 Dec 2002

Date: 31 Dec 2002

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Schedule A

Automatic Reinsurance Agreement CALR018
Between

Valley Forge Life Insurance Company

And

XL Life Ltd., as amended, Amendments One through Nine
(Annuity & Life Reassurance (Bermuda) Ltd., prior to Novation)

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Exhibit 2.4

NOVATION AGREEMENT

THIS NOVATION AGREEMENT is made as of December 31, 2002 (the "Novation Date") among Annuity and Life Reassurance, Ltd ("ALRe"), XL Life Ltd ("XL"), and Zurich Life Insurance Company of America ("Ceding Company").

WHEREAS, ALRe and Ceding Company are parties to the reinsurance agreements (the "Subject Agreements") set forth in Schedule A hereto; and

WHEREAS, as of December 31, 2002, the parties to this Novation Agreement have agreed to novate the Subject Agreements by substituting XL for ALRe as reinsurer thereunder, such that XL will assume all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements and that ALRe shall be released and discharged from any further liability or obligations whatsoever thereunder; and

WHEREAS, Ceding Company wishes to consent and agree to such novation.

NOW, THEREFORE, in consideration of the foregoing and of the following mutual terms, conditions, covenants, and agreements, the parties agree that on the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL is hereby substituted as the Reinsurer under each of the Subject Agreements in place and instead of ALRe. XL and Ceding Company hereby ratify and confirm that the Subject Agreements shall be treated as always having been agreements solely between them. In implementation and not in limitation of the foregoing, the parties further agree as follows:

1. From and after the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL hereby assumes all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements, and XL shall be bound by all terms and conditions of the Subject Agreements.
2. Performance and/or breach prior to the Novation Date by ALRe shall after the Novation Date be treated for all purposes as having been performance or breach by XL.
3. Effective as of the Novation Date, Ceding Company hereby releases and discharges ALRe from and against any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with the Subject Agreements and shall look solely to XL for performance thereof.
4. From and after the Novation Date, the Ceding Company shall have no further duties, obligations, and/or liabilities whatsoever, express or implied, to ALRe under or in connection with the Subject Agreements, but any such duties, obligations, and/or liabilities theretofore existing shall continue as duties, obligations, and/or liabilities of the Ceding Company to XL.
5. Notwithstanding anything contained in this Novation Agreement or in the Subject Agreements, the Ceding Company shall not have the right to cede any new business, new issues, future issuances or further new reinsurance policies under the Subject Agreements after the Novation Date. This exclusion shall include, without limitation, policies with an effective date after the Novation Date, non-mandatory renewals of policies in effect prior to the Novation Date and non-mandatory changes to policies in effect prior to the Novation Date that increase the insurance provided thereunder.

<PAGE> 2

6. Each party agrees to do all things as may be necessary to give full effect to this Novation Agreement.
7. This Novation Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
8. This Novation Agreement shall be subject to the arbitration provisions of the Subject Agreements and shall be governed by and construed in accordance with the laws applicable to the Subject Agreements.
9. This Novation Agreement may be executed in counterparts.
10. This Novation Agreement will become effective when it has been executed in Bermuda by XL after having been executed by ALRe and the Ceding Company
11. The Novation Date will not occur unless and until the Ceding Company shall have received (including by facsimile transmission) a letter of credit (the "Letter of Credit") in the amount of US \$ 14,500,000 in substantially the form of Exhibit B hereto issued by the banks listed in Exhibit B and XL shall have received in Bermuda (including by facsimile transmission) a receipt for the Letter of Credit in the form of Exhibit C hereto, provided that if these conditions to the occurrence of the Novation Date are satisfied, the Novation Date shall be December 31, 2002.
12. Simultaneous to item 11 above, the assets of the reserve trusts provided for in Subject Agreements shall be transferred as set forth in the letter agreement among ALRe, XLFA, the Ceding Company and Mellon Bank, as trustee attached hereto as Exhibit A.

<PAGE> 3

IN WITNESS WHEREOF the parties have executed this Novation Agreement as of December 31, 2002.

ANNUITY AND LIFE REASSURANCE, LTD.

By: /s/ R Reale

Title: SVP & CU

Date : 12/31/2002

By: /s/ Rod Cordle

Title: VP

Date: 12/31/02

ZURICH LIFE INSURANCE COMPANY OF AMERICA

By: /s/ Steven A. Moorhead

Title: SVP

Date: December 31, 2002

By: /s/ Lance Wagner

Title: SVP

Date: 12/31/02

XL LIFE LTD

By: /s/ Paul Giordano

Title: Secretary

Date: 31 Dec. 2002

By: /s/ [Signature Illegible]

Title: Vice President

Date: 31 Dec. 2002

<PAGE> 4

SCHEDULE A

SUBJECT AGREEMENTS

- Term Life Coinsurance Agreement effective April 1, 2000, between Zurich Life Insurance Company of America and Annuity & Life Reassurance, Ltd.
- Amendment #1 effective January 1, 2001 to the Term Life Coinsurance Agreement effective April 1, 2000, between Zurich Life Insurance Company of America and Annuity & Life Reassurance, Ltd.
- Amendment #2 effective December 1, 2001 to the Term Life Coinsurance Agreement effective April 1, 2000, between Zurich Life Insurance Company of America and Annuity & Life Reassurance, Ltd.
- Amendment #3 effective January 1, 2001 to the Term Life Coinsurance Agreement effective April 1, 2000, between Zurich Life Insurance Company of America and Annuity & Life Reassurance, Ltd.
- Amendment #4 effective January 1, 2002 to the Term Life Coinsurance Agreement effective April 1, 2000, between Zurich Life Insurance Company of America and Annuity & Life Reassurance, Ltd.
- Amendment #5 effective January 1, 2002 to the Term Life Coinsurance Agreement effective April 1, 2000, between Zurich Life Insurance Company of America and Annuity & Life Reassurance, Ltd.

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Exhibit 2.5

NOVATION AGREEMENT

THIS NOVATION AGREEMENT is made as of December 31, 2002 (the "Novation Date") among Annuity and Life Reassurance, Ltd ("ALRe"), XL Life Ltd ("XJ"), and Fidelity Life Association, a Mutual Legal Reserve Company ("Ceding Company").

WHEREAS, ALRe and Ceding Company are parties to the reinsurance agreements (the "Subject Agreements") set forth in Schedule A hereto; and

WHEREAS, as of December 31, 2002, the parties to this Novation Agreement have agreed to novate the Subject Agreements by substituting XL for ALRe as reinsurer thereunder, such that XL will assume all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements and that ALRe shall be released and discharged from any further liability or obligations whatsoever thereunder; and

WHEREAS, Ceding Company wishes to consent and agree to such novation.

NOW, THEREFORE, in consideration of the foregoing and of the following mutual terms, conditions, covenants, and agreements, the parties agree that on the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL is hereby substituted as the Reinsurer under each of the Subject Agreements in place and instead of ALRe. XL and Ceding Company hereby ratify and confirm that the Subject Agreements shall be treated as always having been agreements solely between them. In implementation and not in limitation of the foregoing, the parties further agree as follows:

1. From and after the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL hereby assumes all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements, and XL shall be bound by all terms and conditions of the Subject Agreements.
2. Performance and/or breach prior to the Novation Date by ALRe shall after the Novation Date be treated for all purposes as having been performance or breach by XL.
3. Effective as of the Novation Date, Ceding Company hereby releases and discharges ALRe from and against any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with the Subject Agreements and shall look solely to XL for performance thereof.
4. From and after the Novation Date, the Ceding Company shall have no further duties, obligations, and/or liabilities whatsoever, express or implied, to ALRe under or in connection with the Subject Agreements, but any such duties, obligations, and/or liabilities theretofore existing shall continue as duties, obligations, and/or liabilities of the Ceding Company to XL.
5. Notwithstanding anything contained in this Novation Agreement or in the Subject Agreements, the Ceding Company shall not have the right to cede any new business, new issues, future issuances or further new reinsurance policies under the Subject Agreements after the Novation Date. This exclusion shall include, without limitation, policies with an effective date after the Novation Date, non-mandatory renewals of policies in effect prior to the Novation Date and non-mandatory changes to policies in effect prior to the Novation Date that increase the insurance provided thereunder.

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6. Each party agrees to do all things as may be necessary to give full effect to this Novation Agreement.
7. This Novation Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
8. This Novation Agreement shall be subject to the arbitration provisions of the Subject Agreements and shall be governed by and construed in accordance with the laws applicable to the Subject Agreements.
9. This Novation Agreement may be executed in counterparts.
10. This Novation Agreement will become effective when it has been executed in Bermuda by XL after having been executed by ALRe and the Ceding Company.
11. The Novation Date will not occur unless and until the Ceding Company shall have received (including by facsimile transmission) a letter of credit (the "Letter of Credit") in the amount of US \$ 8,700,000 in substantially the form of Exhibit B hereto issued by the banks listed in Exhibit B and XL shall have received in Bermuda (including by facsimile transmission) a receipt for the Letter of Credit in the form of Exhibit C hereto, provided that if these conditions to the occurrence of the Novation Date are satisfied, the Novation Date shall be December 31, 2002.
12. Simultaneous to item 11 above, the assets of the reserve trusts provided for in Subject Agreements shall be transferred as set forth in the letter agreement among ALRe, XLFA, the Ceding Company and Mellon Bank, as trustee attached hereto as Exhibit A.

<PAGE> 3

IN WITNESS WHEREOF the parties have executed this Novation Agreement as of December 31, 2002.

ANNUITY AND LIFE REASSURANCE, LTD.

By: /s/ R Reale

By: /s/ Rod Cordle

Title: SVP & CU
Date: 12/31/2002

Title: VP
Date: 12/31/02

FIDELITY LIFE ASSOCIATION, A MUTUAL LEGAL RESERVE COMPANY

By: /s/ Steven A. Moorhead

By: /s/ Lance Wagner

Title: SVP
Date: December 31, 2002

Title: SVP
Date: 12/31/02

XL LIFE LTD

By: /s/ Paul Giordano

By: /s/ [Signature Illegible]

Title: Secretary
Date: 31 Dec 2002

Title: Vice President
Date: 31 Dec 2002

<PAGE> 4

SCHEDULE A

SUBJECT AGREEMENTS

- Term Life Coinsurance Agreement effective October 31, 2000, between Fidelity Life Association, a Mutual Legal Reserve Company and Annuity & Life Reassurance, Ltd.
- Amendment #1 effective January 1, 2001 to the Term Life Coinsurance Agreement effective October 31, 2000, between Fidelity Life Association, a Mutual Legal Reserve Company and Annuity & Life Reassurance, Ltd.
- Amendment #2 effective December 1, 2001 to the Term Life Coinsurance Agreement effective October 31, 2000, between Fidelity Life Association, a Mutual Legal Reserve Company and Annuity & Life Reassurance, Ltd.
- Amendment #3 effective January 1, 2002 to the Term Life Coinsurance Agreement effective October 31, 2000, between Fidelity Life Association, a Mutual Legal Reserve Company and Annuity & Life Reassurance, Ltd.
- Amendment ##4 effective August 16, 2002 to the Term Life Coinsurance Agreement effective October 31, 2000, between Fidelity Life Association, a Mutual Legal Reserve Company and Annuity & Life Reassurance, Ltd.

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Exhibit 2.6

NOVATION AGREEMENT

THIS NOVATION AGREEMENT is made as of December 31, 2002 (the "Novation Date") among Annuity and Life Reassurance, Ltd ("ALRe"), XL Life Ltd ("XL"), and Federal Kemper Life Assurance Company ("Ceding Company").

WHEREAS, ALRe and Ceding Company are parties to the reinsurance agreements (the "Subject Agreements") set forth in Schedule A hereto; and

WHEREAS, as of December 31, 2002, the parties to this Novation Agreement have agreed to novate the Subject Agreements by substituting XL for ALRe as reinsurer thereunder, such that XL will assume all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements and that ALRe shall be released and discharged from any further liability or obligations whatsoever thereunder; and

WHEREAS, Ceding Company wishes to consent and agree to such novation.

NOW, THEREFORE, in consideration of the foregoing and of the following mutual terms, conditions, covenants, and agreements, the parties agree that on the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL is hereby substituted as the Reinsurer under each of the Subject Agreements in place and instead of ALRe. XL and Ceding Company hereby ratify and confirm that the Subject Agreements shall be treated as always having been agreements solely between them. In implementation and not in limitation of the foregoing, the parties further agree as follows:

1. From and after the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL hereby assumes all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements, and XL shall be bound by all terms and conditions of the Subject Agreements.
2. Performance and/or breach prior to the Novation Date by ALRe shall after the Novation Date be treated for all purposes as having been performance or breach by XL.
3. Effective as of the Novation Date, Ceding Company hereby releases and discharges ALRe from and against any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with the Subject Agreements and shall look solely to XL for performance thereof.
4. From and after the Novation Date, the Ceding Company shall have no further duties, obligations, and/or liabilities whatsoever, express or implied, to ALRe under or in connection with the Subject Agreements, but any such duties, obligations, and/or liabilities theretofore existing shall continue as duties, obligations, and/or liabilities of the Ceding Company to XL.
5. Notwithstanding anything contained in this Novation Agreement or in the Subject Agreements, the Ceding Company shall not have the right to cede any new business, new issues, future issuances or further new reinsurance policies under the Subject Agreements after the Novation Date. This exclusion shall include, without limitation, policies with an effective date after the Novation Date, non-mandatory renewals of policies in effect prior to the Novation Date and non-mandatory changes to policies in effect prior to the Novation Date that increase the insurance provided thereunder.

<PAGE> 2

6. Each party agrees to do all things as may be necessary to give full effect to this Novation Agreement.
7. This Novation Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
8. This Novation Agreement shall be subject to the arbitration provisions of the Subject Agreements and shall be governed by and construed in accordance with the laws applicable to the Subject Agreements.
9. This Novation Agreement may be executed in counterparts.
10. This Novation Agreement will become effective when it has been executed in Bermuda by XL after having been executed by ALRe and the Ceding Company.
11. The Novation Date will not occur unless and until the Ceding Company shall have received (including by facsimile transmission) a letter of credit (the "Letter of Credit") in the amount of US \$ 42,500,000 in substantially the form of Exhibit B hereto issued by the banks listed in Exhibit B and XL shall have received in Bermuda (including by facsimile transmission) a receipt for the Letter of Credit in the form of Exhibit C hereto, provided that if these conditions to the occurrence of the Novation Date are satisfied, the Novation Date shall be December 31, 2002.
12. Simultaneous to item 11 above, the assets of the reserve trusts provided for in Subject Agreements shall be transferred as set forth in the letter agreement among ALRe, XLFA, the Ceding Company and Mellon Bank, as trustee attached hereto as Exhibit A.

<PAGE> 3

IN WITNESS WHEREOF the parties have executed this Novation Agreement as of December 31, 2002.

ANNUITY AND LIFE REASSURANCE, LTD.

By: /s/ R Reale

By: /s/ Rod Cordle

Title: SVP & CU
Date: 12/31/2002

Title: VP
Date: 12/31/02

FEDERAL KEMPER LIFE ASSURANCE COMPANY

By: /s/ Steven A. Moorhead

By: /s/ Lance Wagner

Title: SVP
Date: December 31, 2002

Title: SVP
Date: 12/31/02

XL LIFE LTD

By: /s/ Paul Giordano

By: /s/ [Signature Illegible]

Title: Secretary
Date: 31 Dec 2002

Title: Vice President
Date: 31 Dec 2002

<PAGE> 4

SCHEDULE A

SUBJECT AGREEMENTS

- Term Life Coinsurance Agreement effective April 1, 2000, between Federal Kemper Life Assurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #1 effective January 1, 2001 to the Term Life Coinsurance Agreement effective April 1, 2000, between Federal Kemper Life Assurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #2 effective December 1, 2001 to the Term Life Coinsurance Agreement effective April 1, 2000, between Federal Kemper Life Assurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #3 effective January 1, 2001 to the Term Life Coinsurance Agreement effective April 1, 2000, between Federal Kemper Life Assurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #4 effective January 1, 2002 to the Term Life Coinsurance Agreement effective April 1, 2000, between Federal Kemper Life Assurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #5 effective January 1, 2002 to the Term Life Coinsurance Agreement effective April 1, 2000, between Federal Kemper Life Assurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #8 effective July 1, 2002 to the Term Life Coinsurance Agreement effective April 1, 2000, between Federal Kemper Life Assurance Company and Annuity & Life Reassurance, Ltd.
- In Force YRT Reinsurance Agreement effective October 1, 2000, between Federal Kemper Life Assurance Company and Annuity & Life Reassurance, Ltd.
- Amendment Effective December 1, 2001 to the In Force YRT Reinsurance Agreement effective October 1, 2000, between Federal Kemper Life Assurance Company and Annuity & Life Reassurance, Ltd.

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Exhibit 2.7

NOVATION AND AMENDMENT AGREEMENT

THIS NOVATION AGREEMENT is made as of December 31, 2002 (the "Novation Date") among Annuity and Life Reassurance, Ltd ("ALRe"), XL Life Ltd ("XL"), and Protective Life Insurance Company ("Ceding Company").

WHEREAS, ALRe and Ceding Company are parties to the reinsurance agreements (the "Subject Agreements") set forth in Schedule A hereto; and

WHEREAS, as of December 31, 2002, the parties to this Novation Agreement have agreed to novate the Subject Agreements by substituting XL for ALRe as reinsurer thereunder, such that XL will assume all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements and that ALRe shall be released and discharged from any further liability or obligations whatsoever thereunder; and

WHEREAS, Ceding Company wishes to consent and agree to such novation.

NOW, THEREFORE, in consideration of the foregoing and of the following mutual terms, conditions, covenants, and agreements, the parties agree that on the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL is hereby substituted as the Reinsurer under each of the Subject Agreements in place and instead of ALRe. XL and Ceding Company hereby ratify and confirm that the Subject Agreements shall be treated as always having been agreements solely between them. In implementation and not in limitation of the foregoing, the parties further agree as follows:

1. From and after the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL hereby assumes all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements, and XL shall be bound by all terms and conditions of the Subject Agreements.
2. Performance and/or breach prior to the Novation Date by ALRe shall after the Novation Date be treated for all purposes as having been performance or breach by XL.
3. Effective as of the Novation Date, Ceding Company hereby releases and discharges ALRe from and against any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with the Subject Agreements and shall look solely to XL for performance thereof.
4. From and after the Novation Date, the Ceding Company shall have no further duties, obligations, and/or liabilities whatsoever, express or implied, to ALRe under or in connection with the Subject Agreements, but any such duties, obligations, and/or liabilities theretofore existing shall continue as duties, obligations, and/or liabilities of the Ceding Company to XL.
5. Notwithstanding anything contained in this Novation Agreement or in the Subject Agreements, the Ceding Company shall not have the right to cede any new business, new issues, future issuances or further new reinsurance policies under the Subject Agreements after the Novation Date except for conversions, new issues, issuances or reinsurance policies pursuant to the Ceding Company's contractual obligations contained in the policies and contracts reinsured by ALRe under the Subject Agreements. This exclusion shall include, without limitation, policies with an effective date after the Novation Date, non-mandatory renewals of policies in effect prior to the Novation Date and non-

<PAGE> 2

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mandatory changes to policies in effect prior to the Novation Date that increase the insurance provided thereunder.

6. Each party agrees to do all things as may be necessary to give full effect to this Novation Agreement.
7. This Novation Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
8. This Novation Agreement shall be subject to the arbitration provisions of the Subject Agreements and shall be governed by and construed in accordance with the laws applicable to the Subject Agreements.
9. The assets of the reserve trusts provided for in Subject Agreements shall be transferred as set forth in the letter agreement among ALRe, XLFA, the Ceding Company and Mellon Bank, as trustee attached hereto as Exhibit A.
10. This Novation Agreement may be executed in counterparts.
11. This Novation Agreement will become effective when it has been executed in Bermuda by XL after having been executed by ALRe and the Ceding Company.
12. ALRe and the Ceding Company are currently discussing two amendments of the Subject Agreements, one an Amendment to update Schedules A & F, effective June 1, 2002, for conversions to certain existing Protective UL plans that did not exist at treaty inception, and the other an Amendment to update Schedules A & F, effective October 14, 2002, for conversions to the existing Protective Select UL 2002 plan, that did not exist at treaty inception. ALRe and the Ceding Company are currently operating under the amendments although they are not yet executed and delivered. The parties agree to use reasonable efforts to complete the negotiation of and enter into such amendments during the month of January 2003.
13. Effective immediately prior to the Novation Date, each of the Subject Agreements is hereby amended as follows:

(a) A new paragraph is inserted as a third paragraph of Section 4 as follows:

"CEDING COMPANY may, by notice given to ANNUITY & LIFE RE on or prior to March 1, 2003, recapture all risks ceded hereunder and under the other Subject Agreements (as defined in the Novation and Amendment Agreement, dated as of December 31, 2002, among the parties hereto and XL Life Ltd.) and terminate this Agreement and the other Subject Agreements as to both new business and then existing reinsurance effective as of January 1, 2003 (the "Recapture Date"). Promptly after the notice, ANNUITY & LIFE RE shall pay CEDING COMPANY an amount equal to the Recapture Fee plus unearned premiums net of unearned allowances on the business reinsured under this Agreement, less any claim payments made by ANNUITY & LIFE RE to CEDING COMPANY after the Recapture Date. Upon receipt of or simultaneously with such payment, CEDING COMPANY will return to ANNUITY & LIFE RE any letters of credit held by it hereunder, will join in instructing any trustee to pay the balance in any trust agreement then held hereunder to or upon the direction

<PAGE> 3

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of ANNUITY & LIFE RE, and will, as of the Recapture Date, release and discharge ANNUITY & LIFE RE from any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with this Agreement. For purposes of this Section, the "Recapture Fee" for this Agreement and the other Subject Agreements shall be an amount equal to \$4 million."

(b) Each of the last paragraph of Section 27(d) and the last paragraph of Section 28(e), as previously amended, is deleted in its entirety and the following sentences are substituted in the place thereof:

"CEDING COMPANY agrees to return to ANNUITY LIFE & RE any amounts withdrawn which are in excess of the actual amounts required for i, ii, iii, and v above, or in the case of iv, such amounts that are in excess of the amounts ultimately determined to be due under this Agreement. ANNUITY & LIFE RE is obligated hereunder to maintain either letters of credit complying with regulatory requirements, including requirements for reserve credit, applicable to CEDING COMPANY ("Qualifying Letters of Credit") or trust funds complying with such requirements ("Qualifying Trust Funds") or a combination thereof in an amount (the "Required Security") equal to 102% of the amount, as of the most recent quarter end, of the deduction for reinsurance ceded from CEDING COMPANY's liabilities for policies ceded under this Agreement, including, without limitation, amounts for policy reserves, reserves for claims and losses incurred (including losses incurred but not reported), loss adjustment expenses and unearned premiums. If at any time a letter of credit delivered to CEDING COMPANY hereunder ceases to be a Qualifying Letter of Credit, ANNUITY & LIFE RE shall replace it with a Qualifying Letter of Credit or Qualifying Trust Funds. If CEDING COMPANY draws down such amounts pursuant to item iii above, then CEDING COMPANY (x) will hold such amounts without segregation in a notional account, (y) will credit interest on the balance in such account daily at an interest rate per annum equal to the Applicable Rate, adding the interest to the principal balance of the notional account, and (z) will pay over such interest to ANNUITY & LIFE RE only to the extent after giving effect thereto the balance in the notional account is not less than the then Required Security. For purposes of this Section, the term "Applicable Rate" shall mean the prime rate determined for each month on the first business day of such month, except that if, at the time CEDING COMPANY draws down such amounts pursuant to item iii above, ANNUITY & LIFE RE has failed to deliver and maintain Qualifying Letters of Credit in the requisite face amount or, in the case of Letters of Credit that are to expire within five (5) business days, replacement Qualifying Letters of Credit in the requisite amount, then the Applicable Rate shall be the targeted Federal Funds Rate as announced from time to time by the Board of Governors of the Federal Reserve System. If ANNUITY & LIFE RE thereafter cures such failure to deliver or maintain Letters of Credit or replacement Letters of Credit by delivery of Qualifying Letters of Credit or replacement Qualifying Letters of Credit in the requisite amount, CEDING COMPANY shall, against such delivery, pay ANNUITY & LIFE RE an amount equal to the lesser of (x) the Required Security and (y) the face amount of the Qualifying Letters or Credit or replacement Qualifying Letters of Credit."

<PAGE> 4

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14. The novation will not occur unless and until the Ceding Company shall have received a letter of credit (the "Letter of Credit") in the amount of \$37,100,000.00 in substantially the form of Exhibit B hereto issued by the banks listed in Exhibit B and XL shall have received in Bermuda (including by facsimile transmission) a receipt for the Letter of Credit in the form of Exhibit C hereto, provided that if these conditions to the occurrence of the novation are satisfied, the Novation Date shall be December 31, 2002.

<PAGE> 5

IN WITNESS WHEREOF the parties have executed this Novation Agreement as of December 31, 2002.

ANNUITY AND LIFE REASSURANCE, LTD.

By: /s/ R Reale

By: /s/ Rod Cordle

Title: SVP & CU

Title: VP

Date: 12/31/2002

Date: 12/31/02

PROTECTIVE LIFE INSURANCE COMPANY

By: /s/ [Signature Illegible]

By: /s/ [Signature Illegible]

Title: _____

Title: _____

Date: _____

Date: _____

XL LIFE LTD

By: /s/ Paul Giordano

By: /s/ [Signature Illegible]

Title: Secretary

Title: Vice President

Date: 31 Dec 2002

Date: 31 Dec 2002

<PAGE> 6

Schedule A

SUBJECT AGREEMENTS

1. Automatic and Facultative Yearly Renewable Term Reinsurance Agreement effective January 1, 2000 between Protective Life Insurance Company and Annuity & Life Reassurance, Ltd., covering level term policies directly written by Protective Life Insurance Company.
2. Automatic and Facultative Yearly Renewable Term Reinsurance Agreement effective January 1, 2000 between Protective Life Insurance Company and Annuity & Life Reassurance, Ltd., covering level term policies directly written by Mennonite Mutual Aid Association and 100% coinsured by Protective Life Insurance Company.
3. Amendment effective April 1, 2000 to the January 1, 2000 Yearly Renewable Term Reinsurance Agreement between Protective Life Insurance Company and Annuity & Life Re-assurance, Ltd.
4. Amendment effective October 1, 2000 to the Yearly Renewable Term Reinsurance Agreement between Protective Life Insurance Company and Annuity & Life Reassurance, Ltd.
5. Amendment effective March 1, 2001 to the January 1, 2000 Yearly Renewable Term Reinsurance Agreement between Protective Life Insurance Company and Annuity & Life Reassurance, Ltd.
6. Amendment effective August 1, 2001 to the January 1, 2000 Yearly Renewable Term Reinsurance Agreement between Protective Life Insurance Company and Annuity & Life Reassurance, Ltd.
7. Amendment effective September 17, 2001 to the January 1, 2000 Yearly Renewable Term Reinsurance Agreement between Protective Life Insurance Company and Annuity & Life Reassurance, Ltd.
8. Amendment effective September 17, 2001 to the January 1, 2000 Yearly Renewable Term Reinsurance Agreement between Protective Life Insurance Company and Annuity & Life Reassurance, Ltd.
9. Amendment effective September 18, 2001 to the January 1, 2000 Yearly Renewable Term Reinsurance Agreement between Protective Life Insurance Company and Annuity & Life Reassurance, Ltd.

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Schedule A

10. Amendment effective September 18, 2001 to the January 1, 2000 Yearly Renewable Term Reinsurance Agreement between Protective Life Insurance Company and Annuity & Life Reassurance, Ltd.
11. Amendment effective January 1, 2002 to the January 1, 2000 Yearly Renewable Term Reinsurance Agreement between Protective Life Insurance Company and Annuity & Life Reassurance, Ltd.

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Exhibit 2.8

NOVATION AGREEMENT

THIS NOVATION AGREEMENT is made as of December 31, 2002 (the "Novation Date") among Annuity and Life Reassurance, Ltd ("ALRe"), XL Life Ltd ("XL"), and Phoenix Life and Annuity Company ("Ceding Company").

WHEREAS, ALRe and Ceding Company are parties to the reinsurance agreements (the "Subject Agreements") set forth in Schedule A hereto; and

WHEREAS, as of December 31, 2002, the parties to this Novation Agreement have agreed to novate the Subject Agreements by substituting XL for ALRe as reinsurer thereunder, such that XL will assume all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements and that ALRe shall be released and discharged from any further liability or obligations whatsoever thereunder; and

WHEREAS, Ceding Company wishes to consent and agree to such novation.

NOW, THEREFORE, in consideration of the foregoing and of the following mutual terms, conditions, covenants, and agreements, the parties agree that on the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL is hereby substituted as the Reinsurer under each of the Subject Agreements in place and instead of ALRe. XL and Ceding Company hereby ratify and confirm that the Subject Agreements shall be treated as always having been agreements solely between them. In implementation and not in limitation of the foregoing, the parties further agree as follows:

1. From and after the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL hereby assumes all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements, and XL shall be bound by all terms and conditions of the Subject Agreements.
2. Performance and/or breach prior to the Novation Date by ALRe shall after the Novation Date be treated for all purposes as having been performance or breach by XL.
3. Effective as of the Novation Date, Ceding Company hereby releases and discharges ALRe from and against any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with the Subject Agreements and shall look solely to XL for performance thereof.
4. From and after the Novation Date, the Ceding Company shall have no further duties, obligations, and/or liabilities whatsoever, express or implied, to ALRe under or in connection with the Subject Agreements, but any such duties, obligations, and/or liabilities theretofore existing shall continue as duties, obligations, and/or liabilities of the Ceding Company to XL.
5. Notwithstanding anything contained in this Novation Agreement or in the Subject Agreements, the Ceding Company shall not have the right to cede any new business, new issues, future issuances or further new reinsurance policies under the Subject Agreements after the Novation Date. This exclusion shall include, without limitation, policies with an application date after the Novation Date, non-mandatory renewals of policies in effect prior to the Novation Date and non-mandatory changes to policies in effect prior to the Novation Date that increase the insurance provided thereunder.

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6. Each party agrees to do all things as may be necessary to give full effect to this Novation Agreement.
7. This Novation Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
8. This Novation Agreement shall be subject to the arbitration provisions of the Subject Agreements and shall be governed by and construed in accordance with the laws applicable to the Subject Agreements.
9. This Novation Agreement may be executed in counterparts.
10. This Novation Agreement will become effective when it has been executed in Bermuda by XL after having been executed by ALRe and the Ceding Company.
11. The Novation Date will not occur unless and until the Ceding Company shall have received (including by facsimile transmission) a letter of credit (the "Letter of Credit") in the amount of US \$ 7,400,000 in substantially the form of Exhibit B hereto issued by the banks listed in Exhibit B and XL shall have received in Bermuda (including by facsimile transmission) a receipt for the Letter of Credit in the form of Exhibit C hereto, provided that if these conditions to the occurrence of the Novation Date are satisfied, the Novation Date shall be December 31, 2002.
12. Simultaneous to item 11 above, the assets of the reserve trusts provided for in Subject Agreements shall be transferred as set forth in the letter agreement among ALRe, XLFA, the Ceding Company and Mellon Bank, as trustee attached hereto as Exhibit A.

<PAGE> 3

IN WITNESS WHEREOF the parties have executed this Novation Agreement as of December 31, 2002.

ANNUITY AND LIFE REASSURANCE, LTD.

By: /s/ R Reale

By: /s/ Rod Cordle

Title: SVP & CU

Title: VP

Date: 12/31/2002

Date: 12/31/2002

PHOENIX LIFE AND ANNUITY COMPANY

By: /s/ Louis J. Lombardi

By: /s/ Richard J. Wirth

Title: Senior Vice President

Title: Assistant Secretary

Date: 12/31/2002

Date: 12/31/2002

XL LIFE LTD

By: /s/ Paul Giordano

By: /s/ [Signature Illegible]

Title: Secretary

Title: Vice President

Date: 31 Dec 2002

Date: 31 Dec 2002

<PAGE> 4

SCHEDULE A

SUBJECT AGREEMENTS

- Automatic Coinsurance Agreement No. 3027 effective March 3, 2000, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd., covering PES-10 policies.
- Amendment No. 4 effective March 3, 2000 to the Automatic Reinsurance Agreement No. 3027 effective March 3, 2000, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd.
- Amendment No. 1 effective August 7, 2000 to the Automatic Reinsurance Agreement No. 3027 effective March 3, 2000, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd.
- Amendment No. 3 effective December 1, 2001 to the Automatic Reinsurance Agreement No. 3027 effective March 3, 2000, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd.
- Amendment No. 2 effective July 16, 2001 to the Automatic Reinsurance Agreement No. 3027 effective March 3, 2000, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd.

- Automatic Coinsurance Agreement No. 3031 effective March 3, 2000, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd., covering PES-20 policies.
- Amendment No. 4 effective March 3, 2000 to the Automatic Coinsurance Agreement No. 3031 effective March 3, 2000, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd.
- Amendment No. 1 effective August 7, 2000 to the Automatic Coinsurance Agreement No. 3031 effective March 3, 2000, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd.
- Amendment No. 3 effective December 1, 2001 to the Automatic Reinsurance Agreement No. 3031 effective March 3, 2000, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd.
- Amendment No. 2 effective July 16, 2001 to the Automatic Coinsurance Agreement No. 3031 effective March 3, 2000, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd.

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- Automatic Coinsurance Agreement No. 3073 effective February 25, 2002, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd., covering PES-20 policies,
- Amendment No. 1 effective December 25, 2002 to the Automatic Coinsurance Agreement No. 3073 effective February 25, 2002, between Phoenix Life and Annuity Company and Annuity & Life Reassurance, Ltd.

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Exhibit 2.9

NOVATION AGREEMENT

THIS NOVATION AGREEMENT is made as of December 31, 2002 (the "Novation Date") among Annuity and Life Reassurance, Ltd ("ALRe"), XL Life Ltd ("XL"), and Phoenix Life Insurance Company ("Ceding Company").

WHEREAS, ALRe and Ceding Company are parties to the reinsurance agreements (the "Subject Agreements") set forth in Schedule A hereto; and

WHEREAS, as of December 31, 2002, the parties to this Novation Agreement have agreed to novate the Subject Agreements by substituting XL for ALRe as reinsurer thereunder, such that XL will assume all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements and that ALRe shall be released and discharged from any further liability or obligations whatsoever thereunder; and

WHEREAS, Ceding Company wishes to consent and agree to such novation.

NOW, THEREFORE, in consideration of the foregoing and of the following mutual terms, conditions, covenants, and agreements, the parties agree that on the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL is hereby substituted as the Reinsurer under each of the Subject Agreements in place and instead of ALRe. XL and Ceding Company hereby ratify and confirm that the Subject Agreements shall be treated as always having been agreements solely between them. In implementation and not in limitation of the foregoing, the parties further agree as follows:

1. From and after the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL hereby assumes all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements, and XL shall be bound by all terms and conditions of the Subject Agreements.
2. Performance and/or breach prior to the Novation Date by ALRe shall after the Novation Date be treated for all purposes as having been performance or breach by XL.
3. Effective as of the Novation Date, Ceding Company hereby releases and discharges ALRe from and against any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with the Subject Agreements and shall look solely to XL for performance thereof.
4. From and after the Novation Date, the Ceding Company shall have no further duties, obligations, and/or liabilities whatsoever, express or implied, to ALRe under or in connection with the Subject Agreements, but any such duties, obligations, and/or liabilities theretofore existing shall continue as duties, obligations, and/or liabilities of the Ceding Company to XL.
5. Notwithstanding anything contained in this Novation Agreement or in the Subject Agreements, the Ceding Company shall not have the right to cede any new business, new issues, future issuances or further new reinsurance policies under the Subject Agreements after the Novation Date. This exclusion shall include, without limitation, policies with an application date after the Novation Date, non-mandatory renewals of policies in effect prior to the Novation Date and non-mandatory changes to policies in effect prior to the Novation Date that increase the insurance provided thereunder.

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6. Each party agrees to do all things as may be necessary to give full effect to this Novation Agreement.
7. This Novation Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
8. This Novation Agreement shall be subject to the arbitration provisions of the Subject Agreements and shall be governed by and construed in accordance with the laws applicable to the Subject Agreements.
9. This Novation Agreement may be executed in counterparts.
10. This Novation Agreement will become effective when it has been executed in Bermuda by XL after having been executed by ALRe and the Ceding Company.
11. The Novation Date will not occur unless and until the Ceding Company shall have received (including by facsimile transmission) a letter of credit (the "Letter of Credit") in the amount of US \$ 5,900,000 in substantially the form of Exhibit B hereto issued by the banks listed in Exhibit B and XL shall have received in Bermuda (including by facsimile transmission) a receipt for the Letter of Credit in the form of Exhibit C hereto, provided that if these conditions to the occurrence of the Novation Date are satisfied, the Novation Date shall be December 31, 2002.
12. Simultaneous to item 11 above, the assets of the reserve trusts provided for in Subject Agreements shall be transferred as set forth in the letter agreement among ALRe, XLFA, the Ceding Company and Mellon Bank, as trustee attached hereto as Exhibit A.

<PAGE> 3

IN WITNESS WHEREOF the parties have executed this Novation Agreement as of December 31, 2002.

ANNUITY AND LIFE REASSURANCE, LTD.

By: /s/ R Reale

By: /s/ Rod Cordle

Title: SVP & CU

Title: VP

Date: 12/31/2002

Date: 12/31/02

PHOENIX LIFE INSURANCE COMPANY

By: /s/ Louis J. Lombardi

By: /s/ Richard J. Wirth

Title: Senior Vice President

Title: Vice President

Date: 12/31/02

Date: 12/31/02

XL LIFE LTD

By: /s/ Paul Giordano

By: /s/ [Signature Illegible]

Title: Secretary

Title: Vice President

Date: 31 DEC 2002

Date: 31 DEC 2002

<PAGE> 4

SCHEDULE A

SUBJECT AGREEMENTS

- Reinsurance Agreement No. 2846 effective October 1, 1998, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #1 effective October 1, 1998 to the Reinsurance Agreement No. 2846 effective October 1, 1998, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #2 effective October 1, 1998 to the Reinsurance Agreement No. 2846 effective October 1, 1998, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #3 effective January 1, 2000 to the Reinsurance Agreement No. 2846 effective October 1, 1998, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #A effective September 1, 2000 to the Reinsurance Agreement No. 2846 effective October 1, 1998, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #5 effective November 1, 2000 to the Reinsurance Agreement No. 2846 effective October 1, 1998, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #6 effective July 16, 2001 to the Reinsurance Agreement No. 2846 effective October 1, 1998, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #7 effective July 1, 2002 to the Reinsurance Agreement No. 2846 effective October 1, 1998, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Automatic Coinsurance Agreement No. 3027 effective March 3, 2000, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd., covering PES-10 policies.
- Amendment No. 4 effective March 3, 2000 to the Automatic Reinsurance Agreement No. 3027 effective March 3, 2000, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment No. 1 effective August 7, 2000 to the Automatic Reinsurance Agreement No. 3027 effective March 3, 2000, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.

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- Amendment No. 2 effective July 16, 2001 to the Automatic Reinsurance Agreement No. 3027 effective March 3, 2000, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment No. 3 effective December 1, 2001 to the Automatic Reinsurance Agreement No. 3027 effective March 3, 2000, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Automatic Coinsurance Agreement No. 3031 effective March 3, 2000, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd., covering PES-20 policies.
- Amendment No. 4 effective March 3, 2000 to the Automatic Coinsurance Agreement No. 3031 effective March 3, 2000, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment No. 1 effective August 7, 2000 to the Automatic Coinsurance Agreement No. 3031 effective March 3, 2000, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment No. 2 effective July 16, 2001 to the Automatic Coinsurance Agreement No. 3031 effective March 3, 2000, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment No. 3 effective December 1, 2001 to the Automatic Reinsurance Agreement No. 3031 effective March 3, 2000, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Automatic Coinsurance Agreement No. 3078 effective February 25, 2002, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd., covering PTC-20 policies.
- Amendment No. 1 effective December 25, 2002 to the Automatic Coinsurance Agreement No. 3078 effective February 25, 2002, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.
- Automatic Coinsurance Agreement No. 3073 effective February 25, 2002, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd., covering PES-20 policies.
- Amendment No. 1 effective December 25, 2002 to the Automatic Coinsurance Agreement No. 3073 effective February 25, 2002, between Phoenix Life Insurance Company and Annuity & Life Reassurance, Ltd.

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Exhibit 2.10

NOVATION AND AMENDMENT AGREEMENT

THIS NOVATION AGREEMENT is made as of December 31, 2002 (the "Novation Date") among Annuity and Life Reassurance, Ltd ("ALRe"), XL Life Ltd ("XL"), and Empire General Life Assurance Corporation ("Ceding Company").

WHEREAS, ALRe and Ceding Company are parties to the reinsurance agreements (the "Subject Agreements") set forth in Schedule A hereto; and

WHEREAS, as of December 31, 2002, the parties to this Novation Agreement have agreed to novate the Subject Agreements by substituting XL for ALRe as reinsurer thereunder, such that XL will assume all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements and that ALRe shall be released and discharged from any further liability or obligations whatsoever thereunder; and

WHEREAS, Ceding Company wishes to consent and agree to such novation.

NOW, THEREFORE, in consideration of the foregoing and of the following mutual terms, conditions, covenants, and agreements, the parties agree that on the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL is hereby substituted as the Reinsurer under each of the Subject Agreements in place and instead of ALRe. XL and Ceding Company hereby ratify and confirm that the Subject Agreements shall be treated as always having been agreements solely between them. In implementation and not in limitation of the foregoing, the parties further agree as follows:

1. From and after the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL hereby assumes all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements, and XL shall be bound by all terms and conditions of the Subject Agreements.
2. Performance and/or breach prior to the Novation Date by ALRe shall after the Novation Date be treated for all purposes as having been performance or breach by XL.
3. Effective as of the Novation Date, Ceding Company hereby releases and discharges ALRe from and against any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with the Subject Agreements and shall look solely to XL for performance thereof.
4. From and after the Novation Date, the Ceding Company shall have no further duties, obligations, and/or liabilities whatsoever, express or implied, to ALRe under or in connection with the Subject Agreements, but any such duties, obligations, and/or liabilities theretofore existing shall continue as duties, obligations, and/or liabilities of the Ceding Company to XL.
5. Notwithstanding anything contained in this Novation Agreement or in the Subject Agreements, the Ceding Company shall not have the right to cede any new business, new issues, future issuances or further new reinsurance policies under the Subject Agreements after the Novation Date except for conversions, new issues, issuances or reinsurance policies pursuant to the Ceding Company's contractual obligations contained in the policies and contracts reinsured by ALRe under the Subject Agreements. This exclusion shall include, without limitation, policies with an effective date after the Novation Date, non-mandatory renewals of policies in effect prior to the Novation Date and non-

<PAGE> 2

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mandatory changes to policies in effect prior to the Novation Date that increase the insurance provided thereunder.

6. Each party agrees to do all things as may be necessary to give full effect to this Novation Agreement.
7. This Novation Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
8. This Novation Agreement shall be subject to the arbitration provisions of the Subject Agreements and shall be governed by and construed in accordance with the laws applicable to the Subject Agreements.
9. The assets of the reserve trusts provided for in Subject Agreements shall be transferred as set forth in the letter agreement among ALRe, XLFA, the Ceding Company and Mellon Bank, as trustee attached hereto as Exhibit A.
10. This Novation Agreement may be executed in counterparts.
11. This Novation Agreement will become effective when it has been executed in Bermuda by XL after having been executed by ALRe and the Ceding Company.
12. [Intentionally omitted.]
13. Effective immediately prior to the Novation Date, each of the Subject Agreements is hereby amended as follows:

(a) A new paragraph is inserted as a third paragraph of Section 4 as follows:

"CEDING COMPANY may, by notice given to ANNUITY & LIFE RE on or prior to March 1, 2003, recapture all risks ceded hereunder and under the other Subject Agreements (as defined in the Novation and Amendment Agreement, dated as of December 31, 2002, among the parties hereto and XL Life Ltd.) and terminate this Agreement and the other Subject Agreements as to both new business and then existing reinsurance effective as of January 1, 2003 (the "Recapture Date"). Promptly after the notice, ANNUITY & LIFE RE shall pay CEDING COMPANY an amount equal to the Recapture Fee plus unearned premiums net of unearned allowances on the business reinsured under this Agreement, less any claim payments made by ANNUITY & LIFE RE to CEDING COMPANY after the Recapture Date. Upon receipt of or simultaneously with such payment, CEDING COMPANY will return to ANNUITY & LIFE RE any letters of credit held by it hereunder, will join in instructing any trustee to pay the balance in any trust agreement then held hereunder to or upon the direction of ANNUITY & LIFE RE, and will, as of the Recapture Date, release and discharge ANNUITY & LIFE RE from any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with this Agreement. For purposes of this Section, the "Recapture Fee" for this Agreement and the other Subject Agreements shall be an amount equal to \$4 million."

(b) Each of the last paragraph of Section 27(d) and the last paragraph of Section 28(e), as previously amended, is deleted in its entirety and the following sentences are substituted in the place thereof:

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"CEDING COMPANY agrees to return to ANNUITY LIFE & RE any amounts withdrawn which are in excess of the actual amounts required for i, ii, iii, and v above, or in the case of iv, such amounts that are in excess of the amounts ultimately determined to be due under this Agreement. ANNUITY & LIFE RE is obligated hereunder to maintain either letters of credit complying with regulatory requirements, including requirements for reserve credit, applicable to CEDING COMPANY ("Qualifying Letters of Credit") or trust funds complying with such requirements ("Qualifying Trust Funds") or a combination thereof in an amount (the "Required Security") equal to 102% of the amount, as of the most recent quarter end, of the deduction for reinsurance ceded from CEDING COMPANY's liabilities for policies ceded under this Agreement, including, without limitation, amounts for policy reserves, reserves for claims and losses incurred (including losses incurred but not reported), loss adjustment expenses and unearned premiums. If at any time a letter of credit delivered to CEDING COMPANY hereunder ceases to be a Qualifying Letter of Credit, ANNUITY & LIFE RE shall replace it with a Qualifying Letter of Credit or Qualifying Trust Funds. If CEDING COMPANY draws down such amounts pursuant to item iii above, then CEDING COMPANY (x) will hold such amounts without segregation in a notional account, (y) will credit interest on the balance in such account daily at an interest rate per annum equal to the Applicable Rate, adding the interest to the principal balance of the notional account, and (z) will pay over such interest to ANNUITY & LIFE RE only to the extent after giving effect thereto the balance in the notional account is not less than the then Required Security. For purposes of this Section, the term "Applicable Rate" shall mean the prime rate determined for each month on the first business day of such month, except that if, at the time CEDING COMPANY draws down such amounts pursuant to item iii above, ANNUITY & LIFE RE has failed to deliver and maintain Qualifying Letters of Credit in the requisite face amount or, in the case of Letters of Credit that are to expire within five (5) business days, replacement Qualifying Letters of Credit in the requisite amount, then the Applicable Rate shall be the targeted Federal Funds Rate as announced from time to time by the Board of Governors of the Federal Reserve System. If ANNUITY & LIFE RE thereafter cures such failure to deliver or maintain Letters of Credit or replacement Letters of Credit by delivery of Qualifying Letters of Credit or replacement Qualifying Letters of Credit in the requisite amount, CEDING COMPANY shall, against such delivery, pay ANNUITY & LIFE RE an amount equal to the lesser of (x) the Required Security and (y) the face amount of the Qualifying Letters or Credit or replacement Qualifying Letters of Credit."

14. The novation will not occur unless and until the Ceding Company shall have received a letter of credit (the "Letter of Credit") in the amount of \$44,000,000.00 in substantially the form of Exhibit B hereto issued by the banks listed in Exhibit B and XL shall have received in Bermuda (including by facsimile transmission) a receipt for the Letter of Credit in the form of Exhibit C hereto, provided that if these conditions to the occurrence of the novation are satisfied, the Novation Date shall be December 31, 2002.

<PAGE> 4

IN WITNESS WHEREOF the parties have executed this Novation Agreement as of December 31, 2002.

ANNUITY AND LIFE REASSURANCE, LTD.

By: /s/ R Reale _____

By: /s/ Rod Cordle _____

Title: SVP & CU _____

Title: VP _____

Date: 12/31/2002 _____

Date: 12/31/02 _____

EMPIRE GENERAL LIFE ASSURANCE COMPANY

By: /s/ [Signature Illegible] _____

By: /s/ [Signature Illegible] _____

Title: _____

Title: _____

Date: _____

Date: _____

XL LIFE LTD

By: /s/ Paul Giordano _____

By: /s/ [Signature Illegible] _____

Title: Secretary _____

Title: Vice President _____

Date: 31 DEC 2002 _____

Date: 31 DEC 2002 _____

<PAGE> 5

Schedule A

SUBJECT AGREEMENTS

1. Automatic and Facultative Yearly Renewable Term Reinsurance Agreement effective January 1, 2000 between Empire General Life Assurance Company and Annuity & Life Reassurance, Ltd., covering level term policies.
2. Amendment effective July 1, 2000 to the Yearly Renewable Term Reinsurance Agreement between Empire General Life Assurance Company and Annuity & Life Reassurance, Ltd.
3. Amendment effective August 1, 2000 to the Yearly Renewable Term Reinsurance Agreement between Empire General Life Assurance Company and Annuity & Life Reassurance, Ltd.
4. Automatic and Facultative Yearly Renewable Term Reinsurance Agreement effective October 1, 2000 between Empire General Life Assurance Company and Annuity & Life Reassurance, Ltd., covering level term policies.
5. Amendment effective February 1, 2001 to the October 1, 2000 Yearly Renewable Term Reinsurance Agreement between Empire General Life Assurance Company and Annuity & Life Reassurance, Ltd.
6. Amendment effective March 12, 2001 to the October 1, 2000 Yearly Renewable Term Reinsurance Agreement between Empire General Life Assurance Company and Annuity & Life Reassurance, Ltd.
7. Amendment effective June 4, 2001 to the October 1, 2000 Yearly Renewable Term Reinsurance Agreement between Empire General Life Assurance Company and Annuity & Life Reassurance, Ltd.
8. Amendment effective September 17, 2001 to the January 1, 2000 Yearly Renewable Term Reinsurance Agreement between Empire General Life Assurance Corporation and Annuity & Life Reassurance, Ltd.
9. Amendment effective September 17, 2001 to the October 1, 2000 Yearly Renewable Term Reinsurance Agreement between Empire General Life Assurance Corporation and Annuity & Life Reassurance, Ltd.
10. Amendment effective November 5, 2001 to the October 1, 2000 Yearly Renewable Term Reinsurance Agreement between Empire General Life Assurance Corporation and Annuity & Life Reassurance, Ltd.

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Schedule A

11. Amendment effective July 1, 2002 to the October 1, 2000 Yearly Renewable Term Reinsurance Agreement between Empire General Life Assurance Corporation and Annuity & Life Reassurance, Ltd.

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Exhibit 2.11

NOVATION AGREEMENT

THIS NOVATION AGREEMENT is made as of December 31, 2002 (the "Novation Date") among Annuity and Life Reassurance, Ltd ("ALRe"), XL Life Ltd ("XL"), and PHL Variable Insurance Company ("Ceding Company").

WHEREAS, ALRe and Ceding Company are parties to the reinsurance agreements (the "Subject Agreements") set forth in Schedule A hereto; and

WHEREAS, as of December 31, 2002, the parties to this Novation Agreement have agreed to novate the Subject Agreements by substituting XL for ALRe as reinsurer thereunder, such that XL will assume all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements and that ALRe shall be released and discharged from any further liability or obligations whatsoever thereunder; and

WHEREAS, Ceding Company wishes to consent and agree to such novation.

NOW, THEREFORE, in consideration of the foregoing and of the following mutual terms, conditions, covenants, and agreements, the parties agree that on the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL is hereby substituted as the Reinsurer under each of the Subject Agreements in place and instead of ALRe. XL and Ceding Company hereby ratify and confirm that the Subject Agreements shall be treated as always having been agreements solely between them. In implementation and not in limitation of the foregoing, the parties further agree as follows:

1. From and after the Novation Date, but effective as to each Subject Agreement on the inception date thereof, XL hereby assumes all of ALRe's interests, rights, duties, obligations, and liabilities under the Subject Agreements, and XL shall be bound by all terms and conditions of the Subject Agreements.
2. Performance and/or breach prior to the Novation Date by ALRe shall after the Novation Date be treated for all purposes as having been performance or breach by XL.
3. Effective as of the Novation Date, Ceding Company hereby releases and discharges ALRe from and against any and all duties, obligations, and/or liabilities whatsoever, express or implied, under or in connection with the Subject Agreements and shall look solely to XL for performance thereof.
4. From and after the Novation Date, the Ceding Company shall have no further duties, obligations, and/or liabilities whatsoever, express or implied, to ALRe under or in connection with the Subject Agreements, but any such duties, obligations, and/or liabilities theretofore existing shall continue as duties, obligations, and/or liabilities of the Ceding Company to XL.
5. Notwithstanding anything contained in this Novation Agreement or in the Subject Agreements, the Ceding Company shall not have the right to cede any new business, new issues, future issuances or further new reinsurance policies under the Subject Agreements after the Novation Date. This exclusion shall include, without limitation, policies with an application date after the Novation Date, non-mandatory renewals of policies in effect prior to the Novation Date and non-mandatory changes to policies in effect prior to the Novation Date that increase the insurance provided thereunder.

<PAGE> 2

6. Each party agrees to do all things as may be necessary to give full effect to this Novation Agreement.
7. This Novation Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
8. This Novation Agreement shall be subject to the arbitration provisions of the Subject Agreements and shall be governed by and construed in accordance with the laws applicable to the Subject Agreements.
9. This Novation Agreement may be executed in counterparts.
10. This Novation Agreement will become effective when it has been executed in Bermuda by XL after having been executed by ALRe and the Ceding Company.
11. The Novation Date will not occur unless and until the Ceding Company shall have received (including by facsimile transmission) a letter of credit (the "Letter of Credit") in the amount of US \$ 20,300,000 in substantially the form of Exhibit B hereto issued by the banks listed in Exhibit B and XL shall have received in Bermuda (including by facsimile transmission) a receipt for the Letter of Credit in the form of Exhibit C hereto, provided that if these conditions to the occurrence of the Novation Date are satisfied, the Novation Date shall be December 31, 2002.
12. Simultaneous to item 11 above, the assets of the reserve trusts provided for in Subject Agreements shall be transferred as set forth in the letter agreement among ALRe, XLFA, the Ceding Company and Mellon Bank, as trustee attached hereto as Exhibit A.

<PAGE> 3

IN WITNESS WHEREOF the parties have executed this Novation Agreement as of December 31, 2002.

<TABLE>

<S> ANNUITY AND LIFE REASSURANCE, LTD. <C>

By: /s/ R Reale

Title: SVP & CU

Date: 12/31/2002

By: /s/ Rod Cordle

Title: VP

Date: 12/31/02

PHL VARIABLE INSURANCE COMPANY

By: /s/ Louis J. Lombardi

Title: Senior Vice President

Date: 12/31/02

By: /s/ Richard J. Wirth

Title: Assistant Secretary

Date: 12/31/02

XL LIFE LTD

By: /s/ Paul Giordano

Title: Secretary

Date: 31 Dec 2002

By: /s/ [Signature Illegible]

Title: Vice President

Date: 31 Dec 2002

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SCHEDULE A
SUBJECT AGREEMENTS

- Automatic Coinsurance Agreement No. 3017 effective January 1, 2000 between PHL Variable Insurance Company and Annuity & Life Reassurance, Ltd., covering PTC-10 policies.
- Amendment No. 2 effective January 1, 2000 to the Automatic Coinsurance Agreement No. 3017 effective January 1, 2000 between PHL Variable Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #1 effective December 1, 2001 to the Automatic Reinsurance Agreement No. 3017 effective January 1, 2000 between PHL Variable Insurance Company and Annuity & Life Reassurance, Ltd.
- Automatic Coinsurance Agreement No. 3012 effective January 1, 2000 between PHL Variable Insurance Company and Annuity & Life Reassurance, Ltd., covering PTC-20 policies.
- Amendment No. 2 effective January 1, 2000 to the Automatic Coinsurance Agreement No. 3012 effective January 1, 2000 between PHL Variable Insurance Company and Annuity & Life Reassurance, Ltd.
- Amendment #1 effective December 1, 2001 to the Automatic Reinsurance Agreement No. 3012 effective January 1, 2000 between PHL Variable Insurance Company and Annuity & Life Reassurance, Ltd.
- Automatic Coinsurance Agreement No. 3078 effective February 25, 2002 between PHL Variable Insurance Company and Annuity & Life Reassurance, Ltd., covering PTC-20 policies.
- Amendment No. 1 effective December 25, 2002 to the Automatic Coinsurance Agreement No. 3078 effective February 25, 2002 between PHL Variable Insurance Company and Annuity & Life Reassurance, Ltd.

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Exhibit 2.12

RETROCESSIONAL REINSURANCE AGREEMENT
(hereinafter called this "AGREEMENT")

between

XL LIFE LTD.
(hereinafter called the "COMPANY"),

AND

ANNUITY AND LIFE REASSURANCE, LTD.
(hereinafter called the "RETROCESSIONAIRE")

WHEREAS, the Retrocessionaire has previously entered into the Original Reinsurance Agreements (all capitalized terms as defined below), and

WHEREAS, at the request of the Retrocessionaire and with the agreement of the various Cedents under the Original Reinsurance Agreements, the Company has entered into various novation agreements whereby the Original Reinsurance Agreements have been incorporated into and superseded by the Novated Reinsurance Agreements, with the Company as the reinsurer under each of the Novated Reinsurance Agreements and the Retrocessionaire not being a party to any of the Novated Reinsurance Agreements, and

WHEREAS, the Company would not have entered into the Novated Reinsurance Agreements if this Agreement had not been entered into with the Retrocessionaire,

NOW THEREFORE, in consideration of the premises and agreements herein contained, the Company and the Retrocessionaire do hereby agree as follows:

ARTICLE 1

REINSURING CLAUSE

The Company hereby cedes to the Retrocessionaire, and the Retrocessionaire hereby accepts as retrocessional reinsurance, and shall indemnify the Company for, the Quota Share Percentage of the Company's Reinsurance Loss. The retrocession established by this Agreement shall be on a modified co-insurance basis, so that the Company shall retain, as funds withheld, all amounts due to the Retrocessionaire hereunder, and cash settlement by the Company to the Retrocessionaire shall be made pursuant to, and only pursuant to, Article 16 hereof.

ARTICLE 2

DEFINITIONS

"Administration Agreement" means the Administration Agreement, effective as of the Effective Date, between the Company and the Retrocessionaire.

"Basket of Assets" means a group of assets (including without limitation a notional cash balance (the "Cash Component"), which may be positive or negative) identified as such on a register in the records of the Company as set forth in Article 16, consisting only of Permitted Assets, each of which (other than the Cash Component) must actually be held by the Company

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during the time of inclusion in the Basket of Assets, but which shall not be segregated or subject to any actual or implied trust, lien or other encumbrance, and their notional inclusion in the Basket of Assets shall not create a trust, lien or other right as respects such assets as respects any person, including, without limitation, the Retrocessionaire or any Cedent.

"Ceding Commission" means the ceding commission described in Article 5.

"Cedent" means a party reinsured under any Novated Reinsurance Agreement or Original Reinsurance Agreement.

"Company" means XL Life Ltd.

"Company's Cost of Collateral" means, for any calendar month, the weighted average cost (expressed as an annual percentage rate) of the most costly 10% (as determined in good faith by the Company) of the collateral actually used by the Company during such month to support the statutory reserves on the Novated Reinsurance Agreements.

"Crediting Rate" means, for the first year of this Agreement, an annual effective rate, determined as of the first business day of each quarter, based upon the 10-year U.S. Treasury Bond "on the run rate" and thereafter for each quarter shall be the one month LIBOR rate for such quarter, determined as of the first business day of such quarter, unless, as respects such quarter, the Company and the Retrocessionaire agree upon a different rate.

"Effective Date" means December 31, 2002.

"Gross GAAP Benefit Required Amount" means, as of any time of calculation, an amount equal to the Quota Share Percentage of the aggregate gross GAAP benefit reserves required for the liability assumed under the Novated Reinsurance Agreements, as determined by the Company.

"Insolvency of the Retrocessionaire" means the institution of any proceeding for the reorganization or rehabilitation (save for a solvent reorganization or rehabilitation), administration, dissolution, liquidation, bankruptcy, granting of a moratorium of payment, receivership, assignment for the benefit of creditors or suspension of payment of the Retrocessionaire, and any equivalent or analogous procedure under the law of any jurisdiction, including, without limitation, an administrative suspension by an insurance regulatory authority.

"Interest Credit Amount" means, for any calendar month, an amount equal to one-twelfth of the Crediting Rate for such month times the simple average of the Mod-Co Account Balances on the first and last days of such month, with such balances calculated in each case after giving effect to all other notional transactions in the Mod-Co Account on such day.

"Master Agreement" means the Master Agreement dated as of December 31, 2002 among the Company, the Retrocessionaire, and Viva Reassurance, Ltd., to which this Agreement is an exhibit.

"Mod-Co Account" is the notional account established pursuant to Article 16.

"Mod-Co Account Balance" means, as of any date, the notional balance of the Mod-Co Account on such date.

"Mod-Co Required Amount" means, at any time, an amount equal to one hundred-four percent (104%) of the Gross GAAP Benefit Required Amount at such time.

"Novated Reinsurance Agreements" means those agreements listed on Schedule A hereto.

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"Original Reinsurance Agreements" means those agreements between the Retrocessionaire and the respective Cedents that were novated as of the Effective Date and have become the Novated Reinsurance Agreements.

"Permitted Assets" means cash or any assets permitted by Regulation 114 of the New York Insurance Department.

"Quota Share Percentage" means 50%.

"Reinsurance Loss" means all of the Company's liability of any nature whatever under or relating to any of the Novated Reinsurance Agreements, including, without limitation, liability for payments made by the Cedents thereunder, claims, risks, damages, penalties, allocated loss adjustment expenses, unallocated loss adjustment expenses, prejudgment interest, statutory penalties, ex gratia payments, loss in excess of policy limits, extra contractual obligations, tax liabilities (other than the Company's own income tax) including, without limitation, federal excise taxes and proxy DAC tax reimbursements, brokerage commission payments and payments or expenses incurred by the Company due to the insolvency of any Cedent.

"Retrocessionaire" means Annuity and Life Reinsurance, Ltd.

"Retrocessional Default Event" means any of the following: (i) the failure of the Retrocessionaire to make a payment required by Article 7.A or Article 16.E, (ii) the Insolvency of the Retrocessionaire; (iii) the downgrading of the Standard & Poor's rating of the Retrocessionaire to below BB or the withdrawal of such rating; (iv) the public announcement by the Retrocessionaire (including without limitation a notification to a regulatory or rating agency, even if not otherwise public), or the Company's reasonable determination notwithstanding the lack of such public announcement, that the Retrocessionaire has entered runoff and will no longer write new business; (v) the Retrocessionaire's GAAP net worth falls below US\$100,000,000; or (vi) any default by the Retrocessionaire under Sections 6.2(b), 6.3, 6.4, or Article 12 of the Master Agreement.

"Statutory Reserve Expense Payment" means, for any calendar month, the product of (x) an amount equal to the Total Statutory Reserves as of the last calendar day of such month, times (y) one-twelfth of the sum of (i) the Company's Cost of Collateral for such month plus (ii) fifteen (15) basis points. Statutory Reserve Expense Payments are not Reinsurance Loss.

"Termination Date" means the date this Agreement terminates, as determined pursuant to Article 19.

"Total Statutory Reserves" means, at any time, an amount equal to the Quota Share Percentage of the aggregate of all statutory reserves required for the liability assumed under the Novated Reinsurance Agreements.

"Value," with respect to any asset in the Basket of Assets at any time, means the lesser of the book value of such asset at such time and the market value of such asset at such time, as determined by the Company in its reasonable judgment. "Value," with respect to the Basket of Assets as a whole at any time, means the sum, over all of the assets comprised by the Basket of Assets at such time, including the Cash Component, of the Values of such assets at such time.

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ARTICLE 3

TERM, TERRITORY, AND CANCELLATION

The liability of the Retrocessionaire shall commence obligatorily and simultaneously with that of the Company under the Novated Reinsurance Agreements in respect of all Reinsurance Loss wheresoever occurring. For the avoidance of doubt, Reinsurance Loss includes, without limitation, amounts due under any Novated Reinsurance Agreement at the Effective Date by reason of not having been paid under the corresponding Original Reinsurance Agreement and further includes amounts becoming due under the Novated Reinsurance Agreements after the Effective Date but arising out of liabilities or events prior to the Effective Date.

Except as provided in Article 14 and Article 19, the coverage period of this Agreement is the same as the longest coverage period of any of the Novated Reinsurance Agreements and this Agreement is continuous and non-cancelable and shall not expire until the last policy under the Novated Reinsurance Agreements has been recaptured or has otherwise expired, but this Agreement may nevertheless terminate as provided in Article 19.

ARTICLE 4

NO RETENTION, NO LIMIT OF LIABILITY
HEREUNDER

A. NO RETENTION

The Company shall have no retention under this Agreement, and the Retrocessionaire's coverage hereunder shall attach at the first dollar of Reinsurance Loss incurred by the Company.

B. NO LIMIT OF LIABILITY

The Retrocessionaire's liability hereunder as respects Reinsurance Loss shall not be subject to any limit of liability.

ARTICLE 5

RETROCESSIONAL PREMIUM
AND CEDING COMMISSION

A. INITIAL RETROCESSIONAL PREMIUM

At and as of the Effective Date, the Company shall cede to the Retrocessionaire an initial retrocessional premium equal to the Gross GAAP Benefit Required Amount at such date, which amount is estimated to be \$50,600,000 and is subject to a one-time true-up as provided in the Master Agreement. The Company shall not pay such retrocessional premium to the Retrocessionaire in cash but shall retain such amount as funds withheld pursuant to Article 16 hereof.

B. ONGOING RETROCESSIONAL PREMIUM

From and after the Effective Date, the Company shall retrocede to the Retrocessionaire the Quota Share Percentage of the premiums received on the Novated Reinsurance Agree-

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ments, it being understood that the Retrocessionaire bears the credit risk of the Company's being able to collect premiums from the Ceding Companies and that premium retrocession shall not take place until the Company actually receives (whether in cash or by offset or by account credit) the corresponding reinsurance premium. The Company shall not pay such retrocessional premium to the Retrocessionaire in cash but shall retain all such amounts as funds withheld pursuant to Article 16 hereof.

C. CEDING COMMISSION

- (1) On or before the Effective Date, the Retrocessionaire shall pay to the Company an initial ceding commission equal to US\$26,120,000. This amount shall be deemed fully earned as of the Effective Date, and no part thereof shall ever be returned to the Retrocessionaire.
- (2) The Retrocessionaire shall further allow to the Company, as additional ceding commission hereunder, (a) the monthly Statutory Reserve Expense Payments and (b) the Quota Share Percentage of the allowances the Company must allow its Ceding Companies in respect of the business retroceded hereunder. The monthly Statutory Reserve Expense Payments shall be deemed fully earned at each month's end, and the amounts set forth in clause (b) shall be earned by the Company vis-a-vis the Retrocessionaire at the same time such amounts are earned by the Cedent(s) vis-a-vis the Company.

D. INDEMNITY AGAINST FEDERAL EXCISE TAX LIABILITY

If and to the extent that the Company incurs Federal Excise Tax liability on account of an assertion by the Internal Revenue Service that the retrocession pursuant this Agreement gives rise to such liability, the Retrocessionaire shall indemnify the Company against such Federal Excise Tax liability. The Company's decision as to whether and to what extent to contest such an assertion by the Internal Revenue Service shall be final and binding upon the Retrocessionaire.

ARTICLE 6

CLAIMS CONTROL AND LOSS SETTLEMENTS;
ADMINISTRATION; RETROCESSIONAIRE'S
ABSOLUTE OBLIGATION TO FOLLOW THE
COMPANY'S FORTUNES AND SETTLEMENTS

A. FOLLOW FORTUNES/SETTLEMENTS

The Company and/or its agents or authorized representatives shall have sole control of, and shall exercise full discretion with respect to, all actions taken or not taken in respect of claims settlements under any of the Novated Reinsurance Agreements and all interpretations and waivers with respect thereto. Such settlements, interpretations, and waivers, and other actions, including payments on account whether under the strict conditions of such Novated Reinsurance Agreement, by compromise, or otherwise, including asserted ex gratia payments, loss in excess of policy limits, and extra contractual obligations, shall be absolutely and unconditionally binding upon the Retrocessionaire, the intent being that the Retrocessionaire shall, in every case, absolutely and unconditionally follow the fortunes and settlements of the Company in respect of the risks reinsured hereunder. The parties expressly contract out of, and reject, any rule of law that

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would otherwise permit the Retrocessionaire to challenge or question the Company's coverage, payment, or other claim adjustment or settlement determinations (including compromises in respect thereof and asserted ex gratis payments, loss in excess of policy limits and extra contractual obligations) absent intentional fraud by the Company in making such adjustments or determinations:

B. ADMINISTRATION

The Retrocessionaire shall, at the request of the Company and without the payment of additional consideration, perform such functions as respects the administration of this Agreement as the Company may request or as may be embodied in the Administration Agreement as in effect from time to time, including without limitation administration of claims and the furnishing to the Company, or to the Retrocessionaire on behalf of the Company, such periodic and/or ad hoc reports as may be set forth in the Administration Agreement or as the Company may reasonably require. To the extent the Company withdraws from the Retrocessionaire the obligation to provide such reports, the parties shall establish a protocol for such reporting as may be reasonably required to implement and administer this Agreement on an ongoing basis. References to the "Company" performing various functions or taking various actions in this Agreement shall include functions performed and actions taken hereunder by the Retrocessionaire at the request of the Company.

C. RETROCESSIONAIRE'S OPTION NOT TO PARTICIPATE IN CONTEST

- (1) Notwithstanding Article VI.A above, if the Company determines to deny in whole or in part any claim, or determines to participate in a Cedent's contest of a claim, the Company shall provide the Retrocessionaire with such notice of such determination as is reasonable in the circumstances, and Retrocessionaire may, at its sole option, pay under this Agreement the full amount of such claim that would due hereunder as if the Company were not so denying the claim. Upon making such payment, the Retrocessionaire shall not be liable for any other amounts that may become due as respects such claim, including, without limitation, penalties or extra contractual obligations.
- (2) The Company shall not be obligated to provide the Retrocessionaire with the notice set forth in paragraph (1) above with respect to claims handled by the Retrocessionaire under the Administration Agreement.
- (3) The sole remedy of the Retrocessionaire for a failure by the Company to provide notice pursuant to this Article VI.C is relief from the obligation to reimburse the Company for extra-contractual or similar liabilities, to the extent that the Retrocessionaire sustains the burden of proving that it would have exercised the option set forth in paragraph (1) above had it received timely notice. In no event and under no circumstances shall the Retrocessionaire be relieved of its obligation to reimburse the Company for contractual benefits by reason of any lack of notice hereunder.

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ARTICLE 7

REMITTANCES

A. MECHANICS OF PAYMENT; RETROCESSIONAIRE MUST PLACE THE COMPANY IN FUNDS IN CERTAIN CIRCUMSTANCES

Whenever a payment by the Company to a Cedent is due and

- (1) such payment would cause the Mod-Co Account Balance to fall below the Mod-Co Required Amount, or
- (2) the Mod-Co Account Balance is already below the Mod-Co Required Amount, or
- (3) a Retrocessional Default Event is then pending,

then the Company may notify the Retrocessionaire of the amount of such payment and the date on which it is scheduled to be made ("Due Date"), and the Retrocessionaire shall pay to the Company, in cash or Permitted Assets and without offset, the Quota Share Percentage of such amount not later than two (2) business days prior to the Due Date, provided, however, that if the Company does not so notify the Retrocessionaire within ten (10) business days of a Due Date, the Company may at any time thereafter provide such notice to the Retrocessionaire and the Retrocessionaire shall make the required payment within eight (8) business days after the date of such notice. Failure by the Company to provide such notice shall not relieve the Retrocessionaire of any liability hereunder.

Except to the extent set forth in the preceding paragraph, cash settlement by the Retrocessionaire to the Company is governed by Article 16 hereof.

B. WAIVER OF CERTAIN DEFENSES

In addition to the absolute and unconditional obligation to "Pay First/Litigate Later" set forth in Article 7.E hereof, the Retrocessionaire hereby waives all defenses to payment based upon a failure, delay, lack of timeliness, promptness or diligence by the Company in exercising any right hereunder, and the Retrocessionaire agrees that any partial exercise of any right by the Company shall not preclude any other or further exercise of such right and the Retrocessionaire further agrees that the waiver of, or failure to exercise, any right by the Company shall not constitute a waiver of, or failure to exercise, any other right by the Company.

C. INTEREST RATE ON LATE PAYMENTS

Any payment hereunder that is not made when due shall bear interest at the annual rate of 400 basis points over the prime rate as listed from time to time in the Wall Street Journal.

D. GROSS-UP IN CERTAIN CIRCUMSTANCES

All sums payable by the Retrocessionaire hereunder shall be made in freely transferable, cleared, and immediately available funds without any set-off, deduction or withholding unless such set-off, deduction or withholding is required by an applicable law, judicial or administrative decision, or practice of any relevant governmental authority, or by any combination thereof. If the Retrocessionaire is so required to set-off, deduct or withhold, then the Retrocessionaire shall pay to the Company, in addition to the payment which the Company is otherwise entitled, such additional amount as is necessary to ensure that the net amount actually received by the Company (free and clear of any set-off, deduction or withholding) will equal the full amount

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which the Company would have received had no such set-off, deduction or withholding been required.

E. PAY FIRST/LITIGATE LATER

Notwithstanding any asserted defense to liability or any actual or perceived defects of form or substance, whether in the provision of any notice, in the presentation of a claim, or otherwise, the Retrocessionaire is absolutely and unconditionally obligated to pay amounts due to the Company under Article 7.A above or Article 16.E below no later than the date set forth in the applicable Article. The Retrocessionaire agrees that its obligation to pay as set forth in the preceding sentence is subject to no conditions precedent or subsequent (except as provided in the last sentence of this Article 7.E). This timely payment obligation is not subject to arbitration, is agreed to be specifically enforceable, and the Company shall be entitled to its full costs, including attorneys' fees, in any proceeding to enforce it. If the Retrocessionaire disputes the existence or amount of any asserted liability hereunder, it must pay first and thereafter initiate proceedings pursuant to Article 13 to recover the amount allegedly overpaid.

ARTICLE 8

SALVAGE, SUBROGATION, AND
OTHER RECOVERIES

A. IN GENERAL

The Retrocessionaire shall be credited with its share of all subrogations and other recoveries (collectively, "Recovery" or "Recoveries") received by the Company on account of the Novated Reinsurance Agreements, such Recoveries to be effected by crediting the Mod-Co Account with the amount of the Recovery.

Any such crediting to the Mod-Co Account shall be made by the Company within ten (10) days of the Company's receipt of any Recovery. The control and administration of claims and pursuit of rights of Recoveries and remedies, whether by subrogation or otherwise, under or with respect to the Novated Reinsurance Agreements shall be the responsibility and right of the Company, and the Retrocessionaire shall absolutely and unconditionally abide by the settlements of losses, incurrence of extra contractual loss, and pursuit of such recoveries or remedies by the Company.

B. OTHER REINSURANCE

The Company is hereby granted permission to purchase other reinsurance for the portion, if any, of its liability on the Novated Reinsurance Agreements that is not retroceded hereunder. All such other reinsurance shall be solely for the benefit of the Company and shall be wholly ignored when calculating the Company's Reinsurance Loss.

C. OFFSETS

The Retrocessionaire and the Company agree that the Company may, at its option, offset any amounts due to the Company under this Agreement against any sums due from the Company to the Retrocessionaire under this Agreement or any other agreement. The Retrocessionaire and the Company further agree that, except as provided in the next sentence, the Retrocessionaire may not offset any amounts due by the Retrocessionaire under this Agreement, and must pay such amounts as provided in Articles 7 and 16. Notwithstanding the foregoing, in the event of an insolvency of the Company (on substantially the same terms as the Insolvency of the

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Retrocessionaire), the Retrocessionaire may, at its option, offset any sums due to the Retrocessionaire under this Agreement against any sums due from the Retrocessionaire to the Company under this Agreement or any other agreement.

ARTICLE 9

AMENDMENTS AND ALTERATIONS

The Company has the right, with the consent of the Retrocessionaire, which consent shall not be unreasonably withheld or delayed, to amend terms of the Novated Reinsurance Agreements, and the Retrocessionaire shall be absolutely and unconditionally bound by the consequences thereof. No change in the terms and conditions of the Novated Reinsurance Agreements shall discharge the Retrocessionaire hereunder. If the Retrocessionaire declines to consent to an amendment for any reason, then the Company may, at its option and in lieu of asserting that the refusal to consent was unreasonable, recapture the Novated Reinsurance Agreement as to which the amendment was proposed, which recapture shall be treated as a partial recapture pursuant to Article 19.D.

ARTICLE 10

ERRORS AND OMISSIONS

No omission or error by the Company shall relieve the Retrocessionaire of any liability hereunder.

ARTICLE 11

NO RESCISSION OR OTHER RIGHTS
IN RESPECT OF FORMATION OR
PERFORMANCE OF THIS AGREEMENT;
WAIVER OF DOCTRINE OF UTMOST
GOOD FAITH

Subject only to the following sentence, the Retrocessionaire absolutely and unconditionally waives any and all rights (whether for affirmative recovery or otherwise) or defenses it may have arising out of or otherwise in connection with the formation of this Agreement, including without limitation any rights of rescission and any related defenses. This waiver is intended to be the broadest permitted by law and expressly includes waiver of the Retrocessionaire's defense of intentional fraud by or on behalf of the Company, but the Retrocessionaire retains the right to seek damages recovery on account of any alleged intentional fraud. For the avoidance of doubt, and further in support of the foregoing: the Retrocessionaire acknowledges that (i) it was the reinsurer under the Original Reinsurance Agreements and is fully familiar with the Original Reinsurance Agreements having entered into and performed them prior to the execution of the Novated Reinsurance Agreements, (ii) it participated in the negotiation of the Novated Reinsurance Agreements, (iii) it has reviewed this Agreement and the Novated Reinsurance Agreements and has had, and has availed itself of, the opportunity to review such records and documentation, and to obtain such information, as it wished covering this Agreement and the Novated Reinsurance Agreements, (iv) it is understood and agreed that the Retrocessionaire has not relied on any statement by or on behalf of the Company in the formation of this Agreement,

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and the Retrocessionaire further acknowledges that there is not and could not be information in the possession of the Company that would have caused the Retrocessionaire not to enter into this Agreement. Further, the Retrocessionaire absolutely and irrevocably waives resort to the doctrine of "utmost good faith" or any similar doctrine in connection with the formation or performance of this Agreement.

ARTICLE 12

GOVERNING LAW

This Agreement shall be interpreted and governed by the laws of the State of New York applicable to contracts made and wholly to be performed in such state, except that to the extent a claim arises out of or relates to reinsurance of punitive or other exemplary damages, the recoverability of such claim shall be governed by the law of the jurisdiction whose law would govern under New York choice of law rules applied without regard to this clause and without regard to the public policy issues related to recoverability of indemnity for such punitive or exemplary damages.

ARTICLE 13

ARBITRATION

Any dispute, controversy, or claim arising out of or relating to this Agreement or to the breach, termination, or asserted invalidity thereof, shall be fully and finally determined in a binding arbitration to be conducted in Hamilton, Bermuda, or such other place as all parties to the arbitration may unanimously agree. The arbitration shall be administered by the American Arbitration Association ("AAA") and shall be conducted under the Commercial Arbitration Rules and other procedures thereof. There shall be no party-appointed arbitrators; the panel shall consist of three disinterested active or retired officers of United States life insurance or life reinsurance companies with at least 20 years' experience in such field, each of whom shall be appointed by the AAA, provided, however, that each party shall have the right to exercise two peremptory challenges of the arbitrators so appointed, in which event the AAA shall appoint a replacement arbitrator for each arbitrator so challenged.

The parties shall initially split equally the cost of bringing panel members to Bermuda for hearing and deliberations. The panel may prescribe reasonable rules and regulations governing the course and conduct of the arbitration proceeding, including without limitation discovery by the parties. Any order as to the costs of the arbitration shall be in the sole discretion of the Board, who may direct to whom and by whom and in what manner they shall be paid.

ARTICLE 14

NON-SEVERABILITY

The Retrocessionaire agrees that this Agreement has been entered into by the Company on the basis that it applies to all of the Novated Reinsurance Agreements and that the Company would not have entered into the Novated Reinsurance Agreements or this Agreement if this Agreement were to cover less than all the Novated Reinsurance Agreements, and the parties agree that, subject to the next sentence, if this Agreement becomes applicable to less than all of the Novated Reinsurance Agreements, then the Company in its sole discretion may terminate this

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Agreement pursuant to Article 19. The provisions of the preceding sentence do not apply where this Agreement applies to less than all the Novated Reinsurance Agreements solely because a Novated Reinsurance Agreement is terminated, recaptured, or declared void.

ARTICLE 15

NO WAIVER

No consent or waiver, express or implied, by any party to or of any breach or default by any other party in the performance of its obligations hereunder shall be construed to be a consent or waiver to or of any other breach or default in the performance of obligations by such other party hereunder. Failure by any party to complain of any act or failure to act of any other party or to declare any other party in default or breach, irrespective of the duration of such default or breach, shall not constitute a waiver by such party of its rights hereunder.

ARTICLE 16

ESTABLISHMENT AND MAINTENANCE OF
THE MOD-CO ACCOUNT AND THE
BASKET OF ASSETS

A. ESTABLISHMENT OF THE MOD-CO ACCOUNT AND THE BASKET OF ASSETS

As of the Effective Date, the Company shall establish:

- (1) A notional account in its records (the "Mod-Co Account"), which shall have no assets, and shall be used solely for purpose of calculation of the funds withheld by the Company under this Agreement, as hereinafter provided. At all times and for all purposes under this Agreement, the balance of funds withheld shall be deemed to be equal to the Mod-Co Account Balance.
- (2) A register in its records listing the Permitted Assets constituting the Basket of Assets. Upon creation of the Basket of Assets as of the Effective Date, the Company shall set the Cash Component so that the Value of the Basket of Assets equals the Mod-Co Account Balance as of such date and giving effect to the transactions contemplated by this Agreement to take place on such date.

B. ADDITIONS TO AND SUBTRACTIONS FROM THE MOD-CO ACCOUNT

- (1) Immediately prior to the Effective Date, the Mod-Co Account Balance shall equal zero.
- (2) The following amounts shall be added to the Mod-Co Account Balance as of the dates indicated:
 - (a) the initial retrocessional premium set forth in Article 5.A, as of the Effective Date;

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- (b) the amount, if any, relating to the Novated Reinsurance Agreements that is deposited by the Retrocessionaire with the Company pursuant to the one-time true-up referred to in Article 5.A, as of the date of such deposit;
 - (c) the Quota Share Percentage of all amounts (net of all allowances or expenses reimbursement in favor of the Cedents) received by the Company from Cedents under the Novated Reinsurance Agreements, as of the date of receipt;
 - (d) the Interest Credit Amount for each calendar month, as of the last day of such month;
 - (e) the amount of each payment by the Retrocessionaire on account of a Basket of Assets Deficit (as provided in Article 16.E), as of the date of such payment;
 - (f) the amount of each payment by the Retrocessionaire pursuant to Article 7.A, as of the date of such payment; and
 - (g) the amount of each Recovery credit (as provided in Article 8), as of the date of such credit.
- (3) The following amounts shall be subtracted from the Mod-Co Account Balance as of the dates indicated:
- (a) the Quota Share Percentage of the amount of all Reinsurance Loss paid by the Company, as of the date of such payment;
 - (b) the amount of the Statutory Reserve Expense Payment for each calendar month, as of the last day of such month; and
 - (c) the amount of any payment to the Retrocessionaire pursuant to Article 16.E below, as of the date of such payment.
- (4) At such time, and from time to time, as the Company determines the Value of the Basket of Assets, the Mod-Co Account Balance shall be set equal to such Value.

C. ADJUSTMENTS TO THE BASKET OF ASSETS

- (1) At any time and from time to time, the Company in its sole discretion may remove assets from or add assets to the Basket of Assets. Substitutions of assets shall be treated as combined removals and additions of the affected assets.
- (a) When an asset is removed from the Basket of Assets, the Cash Component shall be increased by the Value of the asset so removed.
 - (b) When an asset is added to the Basket of Assets, the Cash Component shall be decreased by the Value of the asset so added.
 - (c) A sale of an asset in the Basket of Assets shall be treated as a removal of such asset, and the Cash Component shall be adjusted as set forth in subparagraph (a) above, without reference to the actual proceeds of the sale.

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- (d) Any earnings on the assets in the Basket of Assets shall not be included in the Value thereof, shall not affect the Cash Component, and shall be deemed to have been distributed to the Company as and when earned.
- (2) At any time after the Effective Date that the Mod-Co Account Balance is increased or decreased as set forth in Article 16.B above, other than pursuant to paragraph (4) thereof, the Cash Component shall be increased or decreased in the same amount.

D. CONTINUING CALCULATIONS AS RESPECTS THE MOD-CO ACCOUNT AND BASKET OF ASSETS

As of the Effective Date and as of the end of each calendar quarter, or more frequently if the Company determines to do so, the Company shall calculate the Value of the Basket of Assets. At such time, the (i) Value of the Basket of Assets shall be compared to (ii) the current Mod-Co Required Amount, using the Gross GAAP Benefit Required Amount at such time. If (ii) is greater than (i), the difference is the "Basket of Assets Deficit."

E. PAYMENTS AS RESPECTS CALCULATIONS

If the calculation pursuant to Article 16.D results in a Basket of Assets Deficit, then within ten (10) days of the Company's sending of notice thereof, the Retrocessionaire shall pay to the Company in cash or Permitted Assets and without offset the amount of the Basket of Assets Deficit. If such calculation results in a Value of the Basket of Assets that is greater than one hundred ten percent (110%) of the current Gross GAAP Benefit Required Amount (the amount excess of 110% is the "Excess Amount"), then the Company shall notify the Retrocessionaire promptly of the Excess Amount, and, if the Retrocessionaire so requests, unless the Excess Amount in the meantime has been reduced to zero (or is negative), or the Company reasonably believes that payment will cause the Value of the Basket of Assets to be less than the current Mod-Co Required Amount, the Company shall pay to the Retrocessionaire the Excess Amount (or the present remaining portion thereof) within ten (10) days of receipt of such request.

From the Effective Date to and including June 30, 2003, the Company intends (but is not obligated) to waive payment of the Basket of Assets Deficit by the Retrocessionaire (but not to the extent that such deficit is caused by the Mod-Co Account Balance being less than the 100% of the Gross GAAP Benefit Required Amount) in order to permit the Mod-Co Account Balance to grow to the Mod-Co Required Amount by natural accretion.

ARTICLE 17

NOTICE

Notices under this Agreement if made by facsimile or electronic mail and are effective when sent and if made by mail or hand delivery, are effective when received. Notice shall be sent to the following addresses.

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If to the Company:

c/o XL Capital Ltd
One Bermudiana Road
Hamilton HM JX, Bermuda
Attn: Jerry de St. Paer, Paul Giordano and Robert Douglas
Facsimile: (441) 296-7340

If to the Retrocessionaire:

Cumberland House
One Victoria Street
Hamilton HM 11, Bermuda
Attn: John F. Burke, Chief Financial Officer
Facsimile: (441) 296-7665

ARTICLE 18

COMPANY'S RIGHT TO COSTS OF
ENFORCEMENT

The Retrocessionaire agrees that in the event the Company is required to incur costs, including, without limitation, reasonable attorneys fees and expenses, in enforcing any right hereunder, that the Retrocessionaire shall pay such costs to the Company and that the payment of such costs shall be an obligation of, and amount due from, the Retrocessionaire under this Agreement.

ARTICLE 19

TERMINATION

A. AUTOMATIC TERMINATIONS

This Agreement shall automatically terminate upon the Insolvency of the Retrocessionaire, and the date of such Insolvency shall be the Termination Date.

B. TERMINATION OF ENTIRE AGREEMENT AT COMPANY'S OPTION

- (1) At its sole option, the Company may terminate this Agreement:
 - (a) at or after the twentieth (20th) anniversary of the effective date of this Agreement;
 - (b) at any time, as and to the extent provided in Article 14; or
 - (c) upon a Retrocessionaire Default Event (other than the Insolvency of the Retrocessionaire).
- (2) The Company shall terminate this Agreement when, in its reasonable judgment, it determines that it has no further obligations under any of the Novated Reinsurance Agreements.

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- (3) This Agreement shall be terminated if, through any combination of terminations of the Novated Reinsurance Agreements, recaptures by the Cedents thereof, or partial recaptures by the Company pursuant to Article 19.D, there are no Novated Reinsurance Agreements retroceded hereunder.

Termination by the Company shall be made by serving notice thereof on the Retrocessionaire, stating the reason therefor, and the effective date of such notice (as determined pursuant to Article 17) shall be the Termination Date.

C. EFFECT OF TERMINATION

- (1) Upon termination of this Agreement, the Company shall calculate the Mod-Co Account Balance as of the Termination Date, as follows:
 - (a) The Company shall give effect as of the Termination Date to all amounts then due to or from any Cedent, whether or not paid.
 - (b) The Termination Date shall be treated as though it were the last calendar day of a month, with the calculations set forth in Article 16.B(2)(c) and 16.B(3)(b) being pro-rated for any partial actual month.
 - (c) The Value of the Basket of Assets shall be determined as of the Termination Date, giving effect to the calculations in subparagraphs (a) and (b) above, and the Mod-Co Account Balance shall be set equal to such Value.
- (2) The Company shall determine the Gross GAAP Benefit Required Amount as of the Termination Date, giving effect to the extent applicable to the transactions described in paragraph (1)(a) above.
- (3) The Retrocessionaire shall pay the Company the Commutation Amount (as defined below), and this Agreement shall thereupon be fully and finally commuted and discharged, with the Company thereafter having no further liability hereunder to the Retrocessionaire and the Retrocessionaire thereafter having no further liability hereunder to the Company. Payment of the Commutation Amount by the Retrocessionaire shall be made, first, by the Retrocessionaire's permitting the Company to retain the funds withheld under this Agreement (the amount thereof, for the avoidance of doubt, being equal to the Mod-Co Account Balance calculated pursuant to paragraph (1) above) and, second, to the extent that the amount of such funds withheld is less than the Commutation Amount, in cash in immediately available funds. If the Commutation Amount is less than the Mod-Co Account Balance, then the Company shall pay the difference to the Retrocessionaire.
- (4) The "Commutation Amount" is the Gross GAAP Benefit Required Amount calculated pursuant to paragraph (2) above plus an appropriate provision for losses incurred but not reported if termination occurs pursuant to Article 19.B(1)(a) or 19.B(2) and is otherwise one hundred seven and one-half percent (107 1/2%) of such Gross GAAP Benefit Required Amount.

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D. RECAPTURE OF LESS THAN ALL NOVATED REINSURANCE AGREEMENTS

In the event of a Retrocessionaire Default Event, the Company may, at any time and at its option, recapture less than all of the Novated Reinsurance Agreements ("Partial Recapture") and terminate this Agreement as to the agreements so recaptured. (Alternatively, in the event of a Retrocessionaire Default Event the Company may, at any time at its option, terminate this Agreement in its entirety pursuant to Article 19.B(1)(c).) In the event of a Partial Recapture, this Agreement shall be terminated and commuted as to the recaptured Novated Reinsurance Agreements as set forth in Article 19.C above, with the termination being treated as having taken place pursuant to Article 19.B(1)(a) and the Mod-Co Account and the Basket of Assets being allocated to recaptured and non-recaptured agreements pro rata to the Gross GAAP Benefit Required Amount. This Agreement shall not terminate, but shall continue, as respects the Novated Reinsurance Agreements that are not recaptured. A Partial Recapture shall not result in the return to the Retrocessionaire of any portion of the Ceding Commission.

ARTICLE 20

GRANT BY RETROCESSIONAIRE
OF A SECURITY INTEREST

The Retrocessionaire hereby pledges as security to the Company, and grants a lien to the Company on, all of the Retrocessionaire's rights and interests in, or with respect to, the Original Reinsurance Agreements and the Novated Reinsurance Agreements, including, without limitation, any payments owed to or received by the Retrocessionaire thereunder, to secure all its obligations to the Company under this Agreement, including, without limitation, the Retrocessionaire's obligations pursuant to Article 16.E. The Retrocessionaire covenants to execute such other and further documentation as may be necessary to give the Company a first, prior, perfected charge on such rights under Bermuda law and corresponding security interests under the law of such other jurisdictions as the Company may reasonably require.

ARTICLE 21

INSOLVENCY

In the event of the insolvency of the Company, this reinsurance shall be payable directly to the Company, or to its liquidator, receiver, conservator or statutory successor immediately upon demand on the basis of the liability of the Company without diminution because of the insolvency of the Company or because the liquidator, receiver, conservator or statutory successor of the Company has failed to pay all or a portion of any claim. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of the Company shall give written notice to the Retrocessionaire of the pendency of a claim against the Company which would involve a possible liability on the part of the reinsurers, indicating the policy reinsured, within a reasonable time after such claim is filed in the conservation or liquidation proceeding or in the receivership. It is further agreed that during the pendency of such claim the Retrocessionaire may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses that they may deem available to the Company or its liquidator, receiver, conservator, or statutory successor. The expense thus incurred by the Retrocessionaire shall be chargeable, subject to the approval of the Court, against the Company as part of the ex-

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pense of conservation or liquidation to the extent of a pro rata share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Retrocessionaire.

Where the Retrocessionaire and any other reinsurer of the Company are involved in the same claim and a majority in interest elect to interpose defense to such claim, the expense shall be apportioned in accordance with the terms of the Agreement as though such expense had been incurred by the Company.

ARTICLE 22

ASSIGNMENT

The Retrocessionaire may not assign this Agreement without the written consent of the Company, which consent may be given or withheld in the sole discretion of the Company.

The Company may not assign this Agreement to an unrelated third party without the written consent of the Retrocessionaire, which consent will not be unreasonably withheld or delayed, but the Company may without such consent assign this Agreement to any affiliate of XL Capital Ltd to which it assigns the Novated Reinsurance Agreements.

ARTICLE 23

ENTIRE AGREEMENT

This Agreement represents the entire agreement and understanding among the parties hereto with respect to the terms and conditions of the retrocessional arrangement specified in the Master Agreement and shall supersede all other oral or written agreements or disclosures between the parties hereto relating to such arrangement, including (except as set forth herein by express cross reference to the Master Agreement) without limitation the terms of the Master Agreement itself relating to retrocessional arrangement specified therein.

[THE REMAINDER OF THIS PAGE IS DELIBERATELY LEFT BLANK]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed in duplicate by their duly authorized representatives.

Signed in Hamilton, Bermuda,
this 31st day of December, 2002

XL LIFE LTD.

By: /s/ Paul Giordano

Name: Paul Giordano
Title: Secretary
Reference:

And signed in Hamilton, Bermuda,
this 31st day of December, 2002

ANNUITY AND LIFE REASSURANCE, LTD.

By: /s/ R Reale

Name: Robert Reale
Title: SVP & Chief Underwriter
Reference:

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SCHEDULE A

LIST OF NOVATED REINSURANCE AGREEMENTS

- ZURICH KEMPER YRT INFORCE TREATY
Reinsurance Agreement effective October 1, 2000, between Federal Kemper Life Assurance Company and ALRe.
- ZURICH KEMPER TERM COINSURANCE TREATIES
Term Life Coinsurance Agreement effective April 1, 2000, and all subsequent amendments, between Zurich Life Insurance Company of America and ALRe.
Term Life Coinsurance Agreement effective April 1, 2000, and all subsequent amendments, between Federal Kemper Life Assurance Company and ALRe.
Term Life Coinsurance Agreement effective October 31, 2000, and all subsequent amendments, between Fidelity Life Association and ALRe.
- PROTECTIVE TERM YRT TREATIES
Yearly Renewable Term Reinsurance Agreement effective January 1, 2000, and all subsequent amendments, between Protective Life Insurance Company and ALRe, covering level term policies directly written by Protective Life Insurance Company.
Yearly Renewable Term Reinsurance Agreement effective January 1, 2000, and all subsequent amendments, between Protective Life Insurance Company and ALRe, covering level term policies directly written by Mennonite Mutual Aid Association and 100% coinsured by Protective Life Insurance Company.
- EMPIRE GENERAL TERM YRT TREATIES
Yearly Renewable Term Reinsurance Agreement effective January 1, 2000, and all subsequent amendments, between Empire General Life Assurance Company and ALRe, covering level term policies.
Yearly Renewable Term Reinsurance Agreement effective October 1, 2000, and all subsequent amendments, between Empire General Life Assurance Company and ALRe, covering level term policies.
- PHOENIX COINSURANCE TERM TREATIES
Automatic Coinsurance Agreement No. 3017 effective January 1, 2000, and all subsequent amendments, between PHL Variable Insurance Company and ALRe, covering PTC-10 policies.
Automatic Coinsurance Agreement No. 3012 effective January 1, 2000, and all subsequent amendments, between PHL Variable Insurance Company and ALRe, covering PTC-20 policies.

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Automatic Coinsurance Agreement No. 3027 effective March 3, 2000, and all subsequent amendments, between Phoenix Life Insurance Company, Phoenix Life and Annuity Company, and ALRe, covering PES-10 policies.

Automatic Coinsurance Agreement No. 3031 effective March 3, 2000, and all subsequent amendments, between Phoenix Life Insurance Company, Phoenix Life and Annuity Company, and ALRe, covering PES-20 policies.

Automatic Coinsurance Agreement No. 3078 effective February 25, 2002, and all subsequent amendments, between Phoenix Life Insurance Company, PHL Variable Insurance Company, and ALRe, covering PTC-20 policies.

Automatic Coinsurance Agreement No. 3073 effective February 25, 2002, and all subsequent amendments, between Phoenix Life Insurance Company, Phoenix Life and Annuity Company, and ALRe, covering PES-20 policies.

Reinsurance Agreement No. 2846 effective October 1, 1998, and all subsequent amendments, between Phoenix Life Insurance Company and ALRe.

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Exhibit 2.13

REINSURANCE TERMINATION AGREEMENT

REINSURANCE TERMINATION AGREEMENT ("Termination Agreement") entered into between ANNUITY AND LIFE REASSURANCE LTD. (hereinafter referred to as "ALRe") and VIVA REASSURANCE LTD. (hereinafter referred to as "Viva") made this 31st day of December, 2002. All defined terms used herein that are not otherwise defined herein shall have the meaning assigned to such terms in the Agreement as defined below.

WHEREAS Viva entered into a Reinsurance Agreement with ALRe dated as of August 13, 2001, as amended as of October 11, 2001 and December 4, 2002, (the "Agreement") whereby Viva, in consideration of payment of premium, agreed to reinsure certain liabilities of ALRe;

WHEREAS pursuant to Section 3.03 of the Agreement, ALRe is exercising its right to Recapture all of the Business such that the Agreement will be terminated pursuant to Section 3.01(c) of the Agreement, and

WHEREAS Viva has agreed to waive its right to receive 30 days' prior written notice in connection with the Recapture;

WHEREAS in connection with the Recapture, Viva and ALRe desire to terminate this Agreement on December 31, 2002 and fully and finally to settle and commute all of their present and future obligations, claims, debts and liabilities known and unknown arising under or in respect of the Agreement; and

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WHEREAS, pursuant to Section 2.11 of the Agreement, the parties agree that all funds released from the Reserve Trusts, except for the Reserve Trust established for Metropolitan Life Companies which shall be recaptured, shall be distributed in accordance with the terms of the Custody and Control Agreement (as defined in that certain Master Agreement among ALRe, Viva and XL Life LTD. dated as of December 31, 2002, the "Master Agreement").

NOW THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. Recapture and Termination. ALRe is hereby exercising its right to Recapture pursuant to Section 3.03 of the Agreement and the Agreement is terminated pursuant to Section 3.01(c) thereof.
2. Termination Accounting and Settlement.
 - (a) Waiver of Section 5.01 Termination Accounting and Settlement. Viva and ALRe agree to waive the termination accounting and settlement provision in Section 5.01 of the Agreement.
 - (b) Viva Deposit and Expenses. With respect to Viva, the parties agree as follows:

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- (i) The Viva deposits in the amount of \$147,178,371.76 will be wired to the Bank of America in full satisfaction of the Credit Facility pursuant to the Master Agreement.
- (ii) Viva will transfer a deposit of approximately \$1,200,000 into the Bank of Bermuda account of Viva (Account #812025) (the "Deposit").
- (iii) Viva may use the Deposit as repayment for Qualifying Expenses as such term is defined in the Agreement that it has incurred and has paid or is going to pay and which have not been reimbursed by ALRe under the Agreement up to December 31, 2002, and to pay any "Additional Qualifying Expenses" as defined further below going forward.
- (iv) After December 31, 2002, Additional Qualifying Expenses will include all Qualifying Expenses as such term is defined in the Agreement as if the Agreement remained in place until January 31, 2003, plus expenses and costs incurred in connection with this Termination Agreement and the Master Agreement, and any additional expenses incurred by Viva directly relating to the winding up of Viva and return of capital to Viva shareholders.
- (v) There will be a reconciliation on February 15, 2003 (the "Reconciliation Date"). Any funds remaining from the Deposit at that date that are in excess of any Qualifying Expenses or Additional Quali-

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fying Expenses incurred but not yet paid shall be repaid to ALRe on the Reconciliation Date. If the Deposit has been insufficient to meet all Qualifying Expenses or Additional Qualifying Expenses paid or incurred by the Reconciliation Date, ALRe will make a payment to Viva on the Reconciliation Date equal to the Qualifying Expenses or Additional Qualifying Expenses incurred or paid by Viva to that date in excess of the Deposit.

(vi) If any further Qualifying Expenses or Additional Qualifying Expenses (which will include for this purpose amounts in excess of estimates or incurred costs used in (v) above) are paid by Viva after February 15, 2003, ALRe agrees to reimburse Viva for such payments.

(c) ALRe Deposit. The parties agree that Viva shall return the ALRe deposit in the amount of \$41,250,000 and that such amount will be delivered by wire transfer to an account pursuant to the terms of the Master Agreement.

3. Final Settlement. ALRe and Viva agree that the termination accounting and settlement procedure set forth in paragraph 2 shall constitute a final settlement of any and all of ALRe's and Viva's liability and the Agreement shall be terminated, and neither Viva nor ALRe shall have any rights or obligations thereunder, except to the extent provided in this Termination Agreement.

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4. Release by ALRe. If and when the payments referred to in paragraph 1 herein shall have been fully and duly made by the parties hereto, then the parties shall release and forever discharge each other, each others agents, successors and assigns, and each others directors, officers and employees from any and all liabilities and obligations arising under or related to the Agreement, whether such liabilities are known or unknown reported or unreported, and whether currently existing or arising in the future, including but not limited to, all claims, debts, demands, causes of action, duties, sums of money, covenants, contracts, controversies, agreements, promises, doings, omissions, damages, judgments, costs, expenses and losses whatsoever arising under or related to the Agreement, provided, however, that this release does not discharge obligations which have been undertaken by the terms of this Termination Agreement.
5. Waiver by Viva. In connection with ALRe's exercise of its Recapture right, Viva hereby waives its right to receive 30 days written notice as provided for in Section 3.03 of the Agreement and acknowledges that exercise of the Recapture is effective against it.
6. Successors and Assigns. The rights, duties and obligations set forth herein shall inure to the benefit of and be binding upon any and all predecessors, successors, liquidators, receivers and assigns of the parties hereto.
7. Entire Agreement. This Termination Agreement shall constitute the entire agreement between the parties as it relates to the subject matter herein.

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8. Amendments. This Termination Agreement may not be modified or amended, except by an instrument in writing, signed by the parties hereto.
9. Representations and Warranties. Viva and ALRe each expressly represent and warrant that: (a) it is a corporation duly organized and in good standing in its jurisdiction of incorporation; (b) this Termination Agreement has been duly authorized, executed and delivered by and on behalf of it and constitutes its legal, valid and binding agreement; (c) no authorization, consent or approval of any governmental entity is required in connection with the execution, delivery or performance by it of this Termination Agreement; and (d) the execution, delivery or performance by it of this Termination Agreement does not and will not conflict with, or result in any material breach or violation of, its organizational documents or any agreements to which it is a party or by which it or any of its assets are bound.
10. Confidentiality. The parties agree to maintain the confidentiality of this Termination Agreement and its terms, but when necessary or required either party may disclose same to the party's auditors, reinsurers, governing regulatory bodies, or third parties in court proceedings and arbitrations in connection with mandatory discovery requirements or in connection with an required insurance regulatory or state or federal securities law filings. Either party may also disclose this Termination Agreement and its terms under other circumstances if it obtains the prior written consent of the other party for such disclosure, which consent shall not be unreasonably withheld. Either

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party disclosing this Termination Agreement in a manner permitted by this paragraph will take all reasonable precautions to protect its confidentiality.

11. Governing Law. This Termination Agreement shall be interpreted under and governed by the substantive laws of Bermuda.
12. Execution of Instruments. Viva and ALRe hereby agree to execute promptly any and all supplemental agreements, releases, affidavits, waivers and other documents of any nature or kind which the other party may reasonably require in order to implement the provisions or objectives of this Termination Agreement.
13. Execution in Counterparts. This Termination Agreement may be executed in multiple counterparts, each of which, when so executed and delivered shall be an original, but such counterparts shall together constitute one and the same instrument and agreement.
14. Interpretation. The description heading herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Termination Agreement.

[remainder of page intentionally left blank]

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IN WITNESS WHEREOF the parties hereto have executed this TERMINATION AGREEMENT in duplicate, as of the day and year first written above.

ANNUITY AND LIFE REASSURANCE LTD.

BY: /s/ R Reale

TITLE: SVP & CU

WITNESS: /s/ [Signature Illegible]

VIVA REASSURANCE LTD.

BY: /s/ M. D. Hamer

TITLE: Director

WITNESS: /s/ [Signature Illegible]

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Exhibit 99.1

[Annuity and Life Re (Holdings), Ltd. Letterhead]

FOR IMMEDIATE RELEASE

CONTACT: Jay Burke
Annuity and Life Re (Holdings), Ltd.
441-296-7667

ANNUITY & LIFE RE REPORTS REDUCTION IN YEAR-END COLLATERAL OBLIGATIONS THROUGH TRANSACTION WITH XL CAPITAL

Hamilton, Bermuda, January 2, 2003, 9:30 AM, ET - Annuity and Life Re (Holdings), Ltd. (NYSE: ANR) today announced that its subsidiary, Annuity and Life Reassurance, Ltd., reached an agreement with a subsidiary of XL Capital Ltd ("XL") pursuant to which the Company has transferred certain blocks of life reinsurance business to XL, enabling the Company to satisfy a substantial portion of the collateral requirements under its reinsurance contracts. Under the agreement with XL, the Company has transferred five blocks of life reinsurance business to XL, which has in turn entered into a 50% quota share reinsurance contract with the Company with respect to four of those blocks of business. In addition to certain expenses associated with completing this transaction, the Company expects to record a non-cash charge in the fourth quarter of 2002 of at least \$20 million in connection with the write down of deferred acquisition costs associated with the contracts transferred to XL. Following the transfer of these blocks of life reinsurance to XL, the Company expects to have approximately \$125 billion of in-force life reinsurance as of December 31, 2002. In an effort to further reduce the Company's year-end collateral requirements, the Company and XL have also discussed the assumption by XL of certain additional small blocks of life reinsurance subject to the completion of due diligence by XL and other conditions.

The agreement with XL provides that XL will receive an additional payment of \$5 million if, during the next 18 months, the Company receives new capital funding of at least \$35 million and the Company's stock price trades at or above \$5.00 per share for a period of 20 out of any 30 consecutive trading days. In connection with the transaction, the Company's collateral funding facility has been terminated and the Company has repaid the amounts it owed under that arrangement. The transaction was reviewed and approved by a special committee of disinterested directors.

Frederick S. Hammer, non-executive Chairman of the Board of Directors of the Company and Co-Chairman of its Transition Committee, commented "This transaction, together with other actions taken by the Company in the fourth quarter, is an important first step in our continuing efforts to stabilize our business and address the challenges that confront us. The transaction with XL will allow the Company to meet a substantial portion of its year-end collateral obligations and to reduce those obligations in future periods on satisfactory terms. In addition to the collateral requirements associated with the additional blocks of life reinsurance the Company has discussed transferring to XL, we continue to negotiate with one of our ceding companies regarding the satisfaction of its year-end collateral requirements, which such ceding company has indicated are approximately \$50 million. During 2003, the Company will continue its efforts to raise capital and otherwise address the ongoing collateral requirements of its business."

Annuity and Life Re (Holdings), Ltd. provides annuity and life reinsurance to insurers through its wholly owned subsidiaries, Annuity and Life Reassurance, Ltd. and Annuity and Life Reassurance America, Inc.

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The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by the Company or on its behalf. All statements which address operating performance, events, or developments that the Company expects or anticipates may occur in the future are forward-looking statements. These statements are made on the basis of management's views and assumptions; as a result, there can be no assurance that management's expectations will necessarily come to pass. Management cautions that actual results could differ materially from those expressed or implied in forward-looking statements. Important factors that could cause the actual results of operations or financial condition of the Company to differ include, but are not necessarily limited to, the Company's ability to attract and retain clients; a decline in the Company's financial ratings; the Company's ability to underwrite business; the Company's ability to raise sufficient capital to meet the collateral requirements associated with its current business and to fund the Company's continuing operations or to reduce or otherwise satisfy its collateral obligations through novations, recaptures or otherwise; changes in market conditions, including changes in interest rate levels; the ability of the Company's cedents to manage successfully assets they hold on the Company's behalf; unanticipated withdrawal or surrender activity; changes in mortality, morbidity and claims experience; the Company's success in managing its investments; the competitive environment; the impact of recent and possible future terrorist attacks and the U.S. government's response thereto; the loss of a key executive; regulatory changes (such as changes in U.S. tax law and insurance regulation which directly affect the competitive environment for the Company's products); and a prolonged economic downturn. Investors are also directed to consider the risks and uncertainties discussed in documents filed by the Company with the Securities and Exchange Commission. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

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